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# **China**

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# FBIS 50th Anniversary Note

To Our Consumers:

This year the Foreign Broadcast Information Service observes its 50th anniversary.

The service, first called the Foreign Broadcast Monitoring Service, was established in 1941 prior to the U.S. entry into World War II. At the time, a number of U.S. Government officials were concerned about the content of foreign radio broadcasts—a relatively new means of conveying information and propaganda across borders. On their advice, President Franklin D. Roosevelt in late February 1941 allotted money from his emergency fund to institute the recording, translating, transcribing, and analyzing of selected foreign broadcasts for the U.S. Government. During World War II the service demonstrated that monitoring was a fast, economical, and reliable way to follow overseas developments.

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We members of the current staff of FBIS extend our thanks to consumers for their interest in FBIS products. To past staffers we extend our thanks for helping the service reach this anniversary year. At the same time, we pledge our continued commitment to providing a useful information service.



R. W. Manners  
Director  
Foreign Broadcast Information Service

# China

JPRS-CAR-91-009

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## NORTHEAST ASIA

### Analysis of Changes in Korean Peninsula, Asia

#### Shifting Patterns of Alliance

91CM0157A Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 21, 4 Nov 90 pp 3-4

[Article by Tao He (7118 2702): "Relaxation of Tension in Korean Peninsula"]

[Text] Asia has been the second most important theater of U.S.-Soviet rivalry ever since the end of World War II. After the cold war fizzled out in Europe following more than a year of tumultuous change, to be replaced by the beginnings of a new order, the cold war in Asia too has quietly ushered in a new period of relaxation.

#### A Thaw in the Cold War

The cold war in postwar Asia had been centered on the peninsula, the most important product of which was the breakup of Korea, which, in turn, has given rise to political and military confrontation between the super-powers.

Now, however, spectacular changes have occurred. After maintaining a special relationship with North Korea for more than 40 years, the Soviet Union is now shifting its attention to South Korea and Japan. Since April last year, the Soviet Union and South Korea have been upgrading their relationship continuously, from trade office to the declaration last December that they would set up consulates in each other's country to the establishment of formal diplomatic relations on 30 September this year, the first departure from the old practice of Soviet and Chinese nonrecognition of South Korea and U.S. and Japanese nonrecognition of northern Korea. Meanwhile, the Soviet Union has also been working hard to improve its relations with Japan; Gorbachev is expected to visit Japan next April. Relations between the United States and North Korea have become less hostile since May this year, when the latter returned to the United States the remains of five U.S. servicemen killed in the Korean war; the trend is toward improvement. Along with the improvement in U.S.-North Korean relations, relations between North Korea and Japan are also changing in new ways. North Korea is the only country in the world today which does not have diplomatic ties to Japan. On 24 September, Shin Kanemaru, a former deputy prime minister and a leading member of the Liberal Democratic Party [LDP], led a delegation to North Korea, the first contact between the two nations' leaders since the end of World War II. President Kim Il-sung has said that North Korea would establish formal diplomatic relations with Japan within six months, marking a major change in Japanese-North Korean relations in the 40 years since World War II ended.

Amid all the changes, the most striking development was the summit meeting on 5 September between the prime ministers of the northern and southern parts of Korea,

which have been at the front line of military and political confrontation. In conjunction with other changes, this meeting signals that the cold war in Asia, symbolized and epitomized by the split of the Korean Peninsula, has begun to wind down. An era in which the northern and southern parts of Korea work to solve the problem of the unification of the fatherland through dialogue and negotiation has arrived.

#### Factors Behind the Thaw in the Cold War

A variety of factors account for the changes mentioned above. Plagued by nationality problems and an economic recession, the Soviet Union is pushing its "strategy of accelerated economic development." As part of this effort, it is seeking to improve its relations with South Korea and Japan in order to gain access to their capital and advanced technology, both needed for the development of the Soviet Far East. No longer does the honoring of obligations to a strategic ally take precedence over the pursuit of national interests. In cutting back on aid to North Korea and establishing diplomatic ties to South Korea above the head of North Korea, the Soviet Union is precisely putting national interests above anything else.

In response to the improvements in Soviet-South Korean relations, North Korea too has modified its policy to seize the diplomatic initiative. Prompted by the need to cut defense spending, the United States worked out an "East Asian strategic plan" early in the year that called for the withdrawal of 15,000 troops from Asia, most of them from South Korea. According to this plan, 85 percent of U.S. forces now in South Korea will be withdrawn by the late 1990's. The United States has also said that it would consider reducing the scale of joint military exercises with South Korea. All this no doubt has influenced the way North Korea adjusts its domestic and foreign policies.

For its part, Japan seeks change as a way to achieve its goal of becoming a "political power." Japan and the Soviet Union have never signed a postwar peace treaty or made substantive progress in bilateral relations. Now Japan knows full well that without the support of a power like the Soviet Union with its global influence, Japan will not achieve its objective of becoming a "political power." It may have the rudiments of a political power, but cannot become a full-fledged power. This explains why Japan is doing everything to improve its relations with the Soviet Union, including making possible the visit next April by Gorbachev. Meanwhile, to create a stable "backyard" for future "political power," it is working diligently to improve its ties to North Korea even as it continues to consolidate its friendship and cooperation with South Korea in order to remove without delay an element of instability in the Korean Peninsula.

#### Impact of the Thaw in Cold War

The thaw in the cold war in Asia and the improving relations among the various parties will do much to

establish mechanisms of mutual trust and eradicate the lingering influence of the cold war. In the wake of the thaw in the cold war will be more contacts between personnel, more cultural exchanges, and increasing trade. Be that as it may, it is still difficult at the moment to predict accurately when the cold war will end completely. One undeniable fact is that the Soviet Union still keeps one-third of its military forces in northeastern Asia and assumes an aggressive posture in coastal regions, Sakhalin Island, the Sea of Okhotsk, and Kamchatka Peninsula. Even as it is reducing its military presence in Asia, the United States declares itself a Pacific power and claims it must maintain a solid military influence in Asia and participate actively in Asian affairs. Both the Soviet Union and the United States have kept their own military alliances in Asia intact and neither has put arms reduction on the agenda. Another destabilizing factor in Asia in the future is this: as American influence declines in Asia, what kind of Asian policy will Japan adopt? Will it fill the military vacuum left by the withdrawal of U.S. forces? In addition, the road to North Korea-South Korea reunification will be a bumpy one, beset with one obstacle after another.

What is certain is that, for these reasons, the end of the cold war in Asia will not have as radical an impact on the region as German reunification has had on Europe.

First, a quadripolar order is basically in place in Asia, an order that will not be reorganized. Since World War II, the strategic order in Asia has undergone a gradual evolution, from bipolarity (the United States, Soviet Union) through tripolarity (the United States, Soviet Union, and China) to quadripolarity (the United States, Soviet Union, China, and Japan). Bipolarity reigned from the early postwar period to the late 1950's as the U.S. and Soviet spheres of influence took shape. After the 1960's, China became an independent political force in Asia and a formidable "pole" in Asian politics. In the 1980's, Japan became an economic superpower by achieving economic parity with the United States, and it began its quest for the status of a "political power" capable of playing an "active role" in shaping a new world order. Already a major force in Asian affairs, Japan is in the midst of becoming a pole in Asian politics. This quadripolar order has largely taken shape and will remain stable for a long time to come, unalterable by any forces.

Second, the Korean Peninsula, the concentrated expression of the cold war, does not exercise the kind of influence that Germany does. There are 40 countries in Asia with a combined population of 3 billion. Among them are countries with ancient civilizations, like China and India with their vast territory and huge population, as well as developed nations and newly industrialized countries like Japan and member nations of ASEAN. In contrast, the Korean Peninsula consists of just over 200,000 square kilometers and 60 million people. The average level of social development is not high. Moreover, Korea has not wielded much influence traditionally. Not so Germany. Located at the heart of Europe,

Germany has significantly influenced the course of European history throughout. Once reunified, it is bound to become the center of gravity in Europe. To sum up, the cold war in Asia has begun to wind down. In the absence of countervailing forces, it will ultimately come to an end after a period of struggle and compromise. Although the end of the cold war will not have a vast impact on Asia, its role in promoting regional stability and development and safeguarding world peace cannot be underestimated.

### Japan-DPRK Rapprochement

91CM0157B Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 12, 1 Dec 90 pp 88-89

[Article by Chen Aiyun (7115 7224 0061): "Looking at Japan-North Korea Rapprochement With Cool Detachment"]

[Text] As South Korea launched its diplomatic offensive, North Korea found itself isolated. It so happened that Japan approached it at this juncture with an offer of better relations. So, just as South Korea played the "Soviet card," North Korea played its "Japan card." Japan's two-party delegation to North Korea has touched off a political storm and has drawn Japan into the tug of war between North and South Korea. Japan tries to please both sides, only to put itself in a predicament.

A Japanese delegation consisting of members from the Liberal Democratic Party [LDP] and Japan Socialist Party [JSP] visited North Korea and issued a joint communique with the Labor Party of North Korea. Just as the two-party delegation accomplished its diplomatic mission, the Soviet Union and South Korea also announced on 1 October that they were establishing diplomatic relations that day, vastly complicating in one stroke the situation in East Asia centered on the Korean peninsula. What appears on the surface to be an attempt by the Soviet Union and Japan to secure a foothold and expand their influence in East Asia is actually a tug of war between South and North Korea. Intentionally or otherwise, Japan has been drawn into this evenly matched game.

### North Korea Isolated

Since their prime ministers met for the first time on 5 September to discuss reunification, both North and South Korea have been quietly working hard on their external political and economic relations.

South Korea is one of the four little dragons. Its industry is export-driven. It has achieved remarkable success for the past several years, its GNP expanding 9.9 percent for the first half of this year. The economic performance of North Korea, in contrast, has been getting worse and worse in recent years. Last year the per capita GNP of North Korea was \$987, a far cry from South Korea's \$4,968.

On the diplomatic front, South Korea has been assiduously cultivating ties to socialist nations for the past two years, isolating North Korea even further. In February last year, South Korea established diplomatic relations with Hungary and, later, with Poland and Yugoslavia. This year it has set up diplomatic relations with Czechoslovakia, Romania, and Mongolia. In Asia, South Korea is enjoying closer relations with China. Because of its ties to North Korea, China cannot openly recognize two Koreas (in the same way it cannot tolerate two Chinas), but as South Korea's indirect trade with and investment in the mainland multiplied, and in the wake of the decision to set up trade offices in each other's country to actively conduct economic exchange, the establishment of diplomatic relations is not something that is totally out of the question.

In contrast, North Korea's diplomacy has met one setback after another. The country is gradually being isolated. With all socialist regimes in East Europe crumbling one after another and neighboring China and the Soviet Union both opening up to the outside world, North Korea has become the lone socialist country in East Asia closed to the world. Nothing makes North Korea more lonesome than abandonment by its old ally, the Soviet Union. In June this year, Soviet and South Korean leaders met for talks in the United States. In early September, the Soviet foreign minister paid an official visit to North Korea and notified his host that: 1) The Soviet Union would stop large-scale investment in North Korea. 2) The Soviet Union and South Korea would establish diplomatic relations before the end of the year. 3) Beginning in 1991, Soviet-North Korean trade would consist of cash transactions. 4) Military aid to North Korea would be slashed. Hence the North Koreans' eagerness to make new friends to give itself more bargaining chips at future unification talks with South Korea. So it turned to Japan, a neighbor as well as the economic power of East Asia. The upshot is that the three parties of the two nations reached an agreement and North Korea finally won a round in diplomacy. In Japan, however, it has touched off a political storm.

#### **Japan's Offer Too Good To Turn Down**

Japan hinted at its desire to normalize relations with North Korea back in March 1989 during the administration of Prime Minister Takeshita. Kaifu, the current prime minister, is also interested in developing diplomatic relations with North Korea. Japan's offer of friendship, coming as it did when North Korea was isolated and cut off from help, was most welcome. The delegation of representatives from the LDP and JSP took with it a letter from Prime Minister Kaifu and was given a red-carpet reception by North Korea.

Reportedly, Kaifu's letter to Kim Il-song made these major points: 1) He deeply regrets what Japan did to North Korea in the past. 2) He hoped that North Korea would soon release two sailors from the ship *Fujisan-Maru* who have been detained for more than six and a half years. (Note: North Korea took into custody the

captain and a sailor from the ship *Fujisan-Maru* in November 1983 and have detained them ever since.) The purpose of the Japanese delegation to North Korea was only too obvious. Besides offering an apology, the Japanese wanted North Korea to release the sailors. After consultations, North Korea magnanimously agreed to do just that in October. At the same time, however, it demanded that Japan "apologize" and "pay damages." The three parties issued a joint communique on 28 September, the gist of which was that Japan apologized profoundly for the misfortune and suffering it inflicted upon North Korea for 36 years in the past as well as the losses North Korea sustained in the 45 years after the war. Japan would do some deep soul-searching and hoped to establish diplomatic relations soon. Furthermore, Japan recognized only one Korea and encouraged peaceful reunification of North and South Korea. The two sides agreed to hold another round of discussions on the establishment of diplomatic ties in mid-November.

The fact that the meeting produced a joint communique greatly exceeded Japan's expectations. Amid handshakes and toasts, a deal was struck. But behind the smiles and the talk, Japan paid a heavy price: being drawn into the tug of war between North and South Korea. South Korea played its "Soviet card" and North Korea its "Japan card."

#### **Kaifu's Move Criticized**

In Japan, a storm arose over the prime minister's letter, its representativeness, and the issue of paying damages.

The letter delivered by the head of the Japanese delegation to Chairman Kim Il-song read in part, "In March last year, then Prime Minister Takeshita expressed deep regrets to North Korea on the floor of the Diet. As Prime Minister, I likewise feel profoundly." Yet the letter was signed "Chairman of the LDP of Japan." To a person with a discerning eye, the inconsistency was obvious: He wrote the letter to Chairman Kim Il-song in his capacity as chairman of the LDP, yet referred to himself as prime minister. The two capacities are different and represent different constituencies. The letter was from the LDP and the JSP to the Labor Party of North Korea. In the letter, however, it was as prime minister that Kaifu offered his apologies to North Korea, virtually elevating it to the level of government correspondence. Naturally this has provoked a lot of criticism.

This mistake, intentional or otherwise, has its unique background. Although he is prime minister, Kaifu is controlled by a behind-the-scenes power structure made up of various factions. If he apologized to North Korea on behalf of the government, he would certainly touch off some opposition. So Kaifu decided to "act first and report afterward," that is, to accomplish something diplomatically first and then explain to the country later. What Kaifu did, therefore, did not seem to be an "unintentional mistake."

The idea of paying damages to North Korea too has not been well received in Japan. The joint communique gave

no hard figure or other details. Within Japan, there is broad agreement that the country should bear responsibility for the tragic 36-year colonial history in North Korea, but the public feeling is that Japan has nothing to do with North Korea's setbacks in the 45 years after the war. The agreement by the leader of the delegation to pay damages has drawn sharp criticism from the elders of the LDP because the delegation had not consulted the party beforehand. Nor had the matter been discussed by the Cabinet. What he had done violated normal procedures. The result was a chorus of opposition from party elders over 70 years of age, a group, headed by a former minister of home affairs and a former director general of the environmental agency, that will apparently have considerable influence on discussions between the two sides in the days ahead on the establishment of diplomatic relations.

#### Trying To Please Both Sides

Japan has also come under pressure from South Korea, which has demanded that Japan clarify two points: 1) When Japan and South Korea normalized relations, Japan recognized South Korea as the only legitimate government of Korea. Why then did it now recognize North Korea's status in the joint communique? 2) In the communique, Japan agreed to pay damages to North Korea for 36 years of colonial rule and the losses North Korea suffered in the 45 years since World War II. By now much would such damages differ from those paid to South Korea? In direct proportion to population?

Japan's response to South Korea's queries was the excuse that "this move is dictated by the trend of history." To further mollify the disgruntled South Koreans, Shin Kanemaru, the leader of the delegation, visited South Korea in person on 8 October to emphasize to President

No Tae-U that the agreement was only between parties and did not reach the government level. Further, Japan pledged to the South Koreans that the economic agreement with North Korea would go into effect only after diplomatic relations were established and that any aid Japan might give to North Korea would have nothing to do with the military. In addition, in the future Japan would consider South Korea's position first before reaching any agreements with North Korea. Shin Kanemaru's words indicated that the Japanese Government now found itself caught between North and South Korea. Japan tried to please both sides only to put itself in a predicament.

In Asia, Japan has already developed good economic relations with the four little dragons and the five member nations of ASEAN, with two-way trade and investment increasing by the day. Since Mainland China opened to the outside world, Japanese investment in China has increased considerably and Japanese participation in development projects has been extensive. Following the Tiananmen incident of 4 June last year, nations around the world strongly condemned the Chinese Communist regime and imposed economic sanctions, whereas all Japan did was freeze loans. Even that ban was lifted this year. Relations between China and Japan do not seem to have been damaged by the 4 June incident. Among neighboring countries, only North Korea has no diplomatic relations with Japan, which is likely to change in the near future.

The passion of postwar Japan is no longer military expansion, but economic expansion. Its goal is to have friendly relations with everybody and create opportunities for trade and investment. In the end, what role will Japan play in Asia because of all these activities? This is something other nations cannot but be mindful of when they deal with Japan.

### Problems in 'Dual Functions' of Local Government

91CM0169A Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 11, 15 Nov 90 pp 27-30

[Article by Ren Shujiang (0117 2885 3068), Political Science and Economics Teaching and Research Section, Party School, Hebei Provincial CPC Committee; Yun Yan (0061 7159), responsible editor: "On Variations in Local Government Behavior and Their Control"]

[Text]

#### I

As everyone knows, to explore the way to appropriately differentiate central and local jurisdiction, authority was delegated by the center to the localities on several occasions from the fifties to the seventies. However, while arousing local enthusiasm, in all cases it caused chaos in economic movement, and thus, from first to last, it was impossible to get out of the plight of "delegation of authority, chaos, and takeback of authority." To get out of the mistake of purely administrative delegation of authority, reform was started in October 1979, and the strategy of "dual delegation of authority," in which administrative delegation of authority and economic delegation of authority go forward in tandem, was put into effect. The former shifted economic movement and activity in the administrative sphere from a high level to a low level; the latter, going in the direction of the reform to make the transformation to a market economy, transferred the authority to make economic policy downward from the administrative system to the various kinds of economic organizations. This "dual delegation of authority" raised the position of the local government as the main body with economic authority, strengthened its economic functions, and began the formation of its relatively independent behavior. The transformation to the local government's relatively independent economic behavior produced a dual effect that became the focus of attention.

On the one hand, since the beginning of reform, although there have appeared short-term fluctuations in China's economy, the economic growth rate has basically always been maintained at a two-digit figure. There were, of course, many factors favoring high-speed economic development. In the reform of dividing authority an important reason was doubtless the great arousal of local enthusiasm and initiative. In line with the principles and policies of the party and state, the local governments, basing themselves on local reality, devised ways and means to tap the potential in resources and vigorously organized production, thereby facilitating the prospering of the entire national economy.

However, as the main body in the economic activities within its region and prompted by local interests, in the local government also appeared a series of actions contrary to the macromovement of the national economy and its control. First, in the relationship between the center and the localities, the local government used the authority bestowed on it by the reform without giving

the state consideration of resources and economic possibilities in the locality. It blindly pursued growth and speed, and expanded investment and consumption, so that a focal point and main body for impulsive expansion was formed. It even resisted the center's control, which was shown in the strong tendency against control. Second, in the relationship between the region and the border, consideration was not given to a rational division of the work in a given region or to the coordinated relationship, formed by history, between the region and the border. Administrative authority was used to seal off and scramble for resources and to carve up the markets, giving rise to the appearance of a low-standard, "complete, decentralized, and similar" industrial situation, which was shown in the tendency to oppose the transformation to a market economy. Third, in the relationship between the government and the enterprise within a region, the government's arbitrary intervention was becoming stronger and stronger and all sorts of unsuitable apportionments kept pouring in, only increasing and never decreasing. Thus there appeared a distinct tendency to turn economic management into administration.

The negative effect of the reform of dividing authority is that it has led to many contradictions and frictions in economic movement and has exacerbated disruption and instability in the economic order, thereby seriously affecting the sustained, steady, and coordinated development of the national economy, a problem that must now be solved.

#### II

It should be said that there many reasons for the fact that the economic behavior of local governments is not the best. One is the distortion of the local contract and price system and the market. Another is that the center has put into effect excessively favorable policies for certain regions, causing unequal competition between regions. Still another reason is that there is a distinct orientation toward output value in assessing a local government's political achievements. But, fundamentally, it reflects the contradictions between the dual functions of local government that have appeared since reform began.

Our local government is now charged with dual economic functions: On the one hand, as an administrative organization responsible to the center and to the government at the higher level, it is charged with the task of macroeconomic management, regulation, and control, and with the macroeconomic management function of representing the central government's intervention in the local economy. On the other hand, as a first-level local government, it is also charged with the function of organizing and developing the local economy. Although the two functions have aspects in which they are identical, they also make it easy for contradictions and frictions to occur. Under the highly centralized and unified economic management system of the past, these contradictions and frictions were covered up by economic and political centralization and unification. Even

if this were the case, several delegations of authority by the center to the locality from the fifties to the seventies produced the dual effect of both arousing local enthusiasm and causing chaos in economic movement, resulting in many relapses into the situation of "delegation of authority, chaos, and takeback of authority." Since the beginning of reform, at the same time as there was a dual delegation of authority, the government and the enterprise did not separately raise the position of the local government as the main body of interests. Thus, the economic function of the local government not only was manifested in the regulation and control of market and enterprise activities, but also was even more prominently manifested in the operational function of developing the local economy, that is, the local government's direct involvement in an enterprise's investment, product distribution, exchange, orders and prices, coordination, and other operational activities. Thus, the local government became the main body in market movement, and it possessed the function of a first-level economic entity. This unavoidably sharpened the contradiction and friction in the local government's dual economic function and led to the local government's dual personality and behavior variations in economic activity. The contradictions are manifested in four main aspects:

**First, the contradiction between the subject of regulation and control and the object of control.** As an economic manager, the local government is the subject that regulates and controls regional economic activity, but, as an administrative first-level economic entity, it is also an object of regulation and control. This evolves unavoidably into a dramatic phenomenon: When the central and high-level governments exercise macroeconomic regulation and control, the subject of interests, in its status as the object of control, frequently engages in the practice of "the higher level makes policies, and lower level takes countermeasures." Over the past several years there was the quite prevalent "three lights" policy, namely, "when you see a red light go around it, when you see a yellow light go a little faster, and when you see a green light force your way through," has been the image portrayed for the local government. As the subject of macroeconomic regulation and control, while regulating and controlling the region under it, the local government often drew support from the administrative forces' intervention in the normal activities of an enterprise and in the movement of markets, and this was manifested in an antimarket tendency. This was especially true of the local contract system.

**Second, the contradiction between the overall goal and the partial goals.** The relationship between the center and the locality is that between the whole and the part. A partial goal is the overall goal made concrete, and it must be subordinated to the overall goal. Before reform, because of the weakening of local interests and the highly centralized control exercised by the central government, the behavior of the locality was subordinated to the overall activities of the national economy, and the goal

of the center tended to be basically the same as the goal of the locality, that is, "all the activities of the nation were coordinated as in a chess game." Since reform began, because of the relative independence of local interests and the expansion of the locality's authority to regulate the economy, there has been a trend for the local government to have its own relatively independent goals. The goals of macroeconomic movement start from overall, long-term interests. Stable growth of the economy, price stability, full employment, equitable distribution, and balance of international payments are the likely effects. The goals of local economic movement tend toward maximizing the region's output value and financial income, and thus it is extremely easy for regional economic goals to deviate from macroeconomic goals. Under the conditions of local contracts and price distortions, because of the rigidity of local interests, it is difficult to harmonize the contradictions between these two sets of goals.

**Third, the contradiction in the local government between its dynamic mechanisms and its weakened restraining mechanisms.** The active mechanisms of a local government and its operating mechanisms are alike, and they also include dynamic mechanisms and restraining mechanisms. The comparative strengths of these two mechanisms control and guide the behavior of the local government. Under the traditional system, the local government was not dynamic and did not have mechanisms that restrained its behavior; that is, the state, with the authority of the local government, clearly delimited and strictly controlled restraints on its behavior. Since the beginning of reform, following the downward transfer of the central government's authority, local government authority has tended to expand, and the local government has taken on quasi-central government functions. Thus, on the one hand, because the center's capability to directly control the locality has been greatly weakened or has been replaced by the locality, and reform of central government departments that exert leverage has also seriously lagged behind, the center's means of indirectly regulating and controlling the enterprise have not yet been truly put in place. Consequently, there has appeared a situation in which the center does not and cannot manage the local government and its enterprises. On the other hand, while the center has been releasing authority and yielding interests to the locality, because the responsibilities of the government and the enterprise have not been separated, there has not been a corresponding transfer of the government's economic functions, namely, the shift from direct control, administration, and management of the enterprise to indirect regulation and control of the enterprise, and the enterprise cannot put up strong resistance to the government's random intervention. These two problems weaken the mechanisms restraining the local government's behavior. The loss of balance between the dynamic mechanisms and the restraining mechanisms is bound to cause variations in local government behavior and impediments to market movement.

**Fourth, the contradiction between administrative evaluation and market evaluation in local government economic activities.** The "dual delegation of authority" has formed a system of dual evaluation—market and administrative—by the government. A contradiction has arisen in the action of the dual evaluation system because of the strengthening of the local government's operational functions and the tilt toward regional interests. For example, the consciousness of vertical dependence on the center has been weakened, but bargaining has increased without any decrease. Lateral alliances between localities have developed, but regional monopolies and administrative separations crop up at any time. Market consciousness has been enhanced, but random intervention in economic activities occurs regularly, and for the enterprise there is either excessive control or excessive protection, which disrupts market selection. This is the basic reason for the many irrational phenomena, such as commodities being both overstocked and out of stock in economic life, for both an expansion and a shortage of investment, and for both a large amount of equipment lying idle and a large amount of blind construction.

### III

Changing the local government's behavior mechanisms is a comparatively complex and extremely difficult problem. Perhaps precisely because this is so, although some people have made fairly exhaustive analyses from different angles of the variations in local government behavior and their contributing factors, so far they have not yet come up with fairly distinct ideas and a fairly feasible plan. Because the variations in local government behavior stem mainly from the frictions and contradictions between the dual economic functions, in standard local government behavior there are three choices for promoting changes in the mechanisms: 1) Do away with the local government's regulation and control function. 2) Do away with the local government's operating function. 3) Set up and make sound restraining mechanisms and coordinate the two economic functions.

We think that the first measure cannot be chosen. There is now a viewpoint that, because some problems that have appeared in economic life in the past several years were caused by the sharing of administrative authority, the solution to the problem is simply to return to the center the authority already delegated to the locality and there is no other solution. This understanding of the problem is incorrect. The decision to strengthen the local government's macroeconomic regulation and control function was taken in view of China's national condition. China is a great and proud country with a vast land and a huge population. Its unbalanced economic development, its poor transportation, and impeded communication, as well as the existing and historical traditions of its many nationalities, give its economic development the characteristics of levels of order, diversity, and regionality. The objects of macro management are ordered, diverse, and regional. They inevitably require a stratification of macro economic management and the establishment of a corresponding multilevel control

system. Under the guidance of the central government's macro regulation and control, through intermediate shifts and transfers by local governments at all levels, the state, and the enterprises, the macro and the micro will be joined to achieve coordination of the national economy. If we were to depend solely on the central government to effect macro regulation and control, it would be impossible to overcome the contradiction between the management subject at a single level and the management object at many levels, with the inevitable result being a restoration of the old system, which would be illogical.

The idea of abolishing the local government's functions as an economic entity and retaining only its regulation and control functions focuses on the fact that the existing responsibilities of the government and the enterprise are not separated and the economic functions of the local government are excessively inflated. This idea should be said to have hit on the crux of the issue, and it can also be considered a good model for reform. But the problem is that the separation of the government and the enterprise and the abolishing of the operational function of the local government are preconditions. First, there must be distinct relationships in the enterprise's property rights and its perfected operating mechanisms, and the formation of a truly microeconomic basis for market regulation and control. Second, there must be a growing market that can effectively display its market guidance function. Third, there must be a perfected macroeconomic regulation and control system in order to achieve the state's effective control of the macroeconomy. To create these conditions, we must carry out in complete sets a reform of the market's orientation. But this reform is absolutely not a one-day affair, and it will require quite a long historical process before it can be completed. In the stage in which the economy is switching tracks, if we abolish too early the functions of the local government as an economic entity, not only will we be unable to set up a normal order for economic markets, but also it is more likely that we will cause a sag in the local economy. It is thus obvious that abolishing the functions of the local government as an economic entity, at least at the present time and for a fairly long time in the future, will not do.

From the above analysis we can understand that the expansion and the dualization of the local government's economic functions are an inevitable phenomenon in the current process of switching the economic system's tracks. The solution to this problem can never be to backtrack or to make a rash advance. The realistic, feasible choice is, during the improvement and rectification and the deepening of reform, to take effective measures to build up mechanisms that restrain local government behavior and that achieve a coordination of the functions and a standardization and rationalization of the behavior.

**First, we must clearly define the respective economic functions of the central government and the local government, and enhance the responsibilities and restraints in the medium-sized regulation and control of the local**



**government.** In setting up a regulation and control system on the separate levels of the center and the locality, we must first clearly demarcate the jurisdiction and the range of responsibilities of the center and the locality. To ensure the effectiveness of the central government's macro regulation and control, the central government should have the following major authorities for regulation and control: the general development plan and long-range goals for China and its regions; the land and the resources of China and their exploitation, use, and management; the protection and control of China's ecology and resources; the regional plans for China's agriculture, and the establishment and development of national agricultural production bases; the setting of China's energy policy, the research and development of key scientific and technological projects, and the development and reform of China's key cultural, educational, sports, and sanitation facilities; the setting of China's banking policy, and the development and reform of China's banking industry; the management of state-owned property; the setting and reform of China's price policy; the setting and planning of the import-export policy; the obtaining, use, management, and repayment of foreign loans; the purchase, distribution, and allotment of the main resources for production and the main means of production; and the setting of the important distribution policies; and the improvement and extent of the people's standard of living. The functions of the local government are limited mainly to the following range: implementing the goals of national economic development in its own region; bringing natural disasters under control and protecting the environment; ensuring the development of agriculture; building up local energy and communication; developing local public utilities; developing cultural, educational, sanitation, and health care services; and ensuring the stability of markets and the stability of people's lives. By clearly defining the separate regulation and control functions of the center and the locality and the range of their responsibilities, we will help to change the current state of affairs in which there is an excessive tilt toward development at the expense of the regulation and control functions. The responsibility for enhancing the medium-sized regulation and control of the local government can both achieve a reasonable division of work between the center and the locality, and promote the balance and coordination of the local government's dual functions.

**Second, on the basis of differentiating the regulation and control functions of the center and the locality, appropriately regulate and control the proportion of resource distribution at the center and the locality, and strengthen budget restraints on the local government.** To ensure the effective exercise of the respective functions of the center and the locality, and bring to each a corresponding capability for regulation and control, we must, in line with the principle of unifying business rights and financial rights, make a reasonable distribution of national income and financial income. One important reason for the expansion of local government investment is that, in the several years before reform began, the respective

proportions of financial income and central financial income in the national income and the total financial income were too low, with the result that the two were asymmetrical, and the central government lost the necessary capability for regulation and control. In addition, the local government's investment capability and investment responsibility were asymmetrical, that is, while the locality got a large amount of extrabudget funds, it has not yet correspondingly borne its proper responsibility. To ensure that the central government has the corresponding economic capability to effect macroeconomic regulation and control, based on domestic and international experience, the proportion of the state's financial income in the national income has to be about 30 percent; the proportion of the central finance income in the total financial income should be 65 to 70 percent. A command plan should be drawn up for currency issuance and credit range; there should be unified management of foreign exchange, so that when necessary part of the foreign exchange can be concentrated and used; and the means of production and the means of subsistence that relate to the overall situation in the national economy must be allotted by the center in a unified manner. The local government bears the major responsibility for administering and executing the control policies, and for attaining the economic and development goals, and it has the task of managing and organizing the economic and social development in its region; it also must have a certain amount of financial resources. But local financial resources should be used mainly for basic construction and long-range investment in the locality. The local government should not intercept and keep central income, not draw on bank funds, not order banks to extend credit, not arbitrarily draw on outside-plan funds, and not recklessly issue bonds and raise funds, so as to stop the excessive development of the local general processing industry.

**Third, establish and make sound the economic policy system with industrial policy as its core, and strengthen policy restraints on the local government's economic policymaking decisions.** The economic policy system includes the policies on industrial mix, industrial organization, industrial technology, and regional development, as well as the currency and credit policy, financial policy, price policy, subsidy policy, and employment policy—all of which are ancillary to the industrial policy. To achieve coordinated development of the national economy, the state must formulate an industrial policy. However, because of the coordinated development of the principal industries in the national economy, this industrial policy must be reached by the overall arrangement of the various principal industries. Therefore, an industrial policy and an alignment of industrial development for the country as a whole by themselves cannot effectively solve the problem of how to dispose and rationally deploy the various principal industries in the various regions. There must be formed a complete set of regional industry policies, which make clear the focal points of industrial development and regularly guide the adjustment of the industrial mix and the investment mix in all

places. In view of the existence of regional and border interests, to promote the implementation of regional industry policies we must implement a series of economic policies that are ancillary to them, for example, the industry differential tax rate policy, the subindustry differential interest rate policy, as well as the various economic compensation policies, in order to correctly guide and restrain the policymaking behavior of local government.

### **Nature of Class Struggle in Socialist Society**

*HK0702013591 Beijing GUANGMING RIBAO  
in Chinese 3 Jan 91 p 3*

[Article by Fang Rongxing (2455 1369 5281), associate professor, Scientific Socialism Teaching and Research Office, Party School of the CPC Central Committee: "Basic Characteristics of Class Relations and Class Struggle in Socialist Society"]

[Text] The fundamental antagonism in class interests is the characteristic of class relations in slave society, feudal society, and capitalist society. There, because people held different positions regarding the possession of the means of production, they were divided into two antagonistic classes, namely, the exploiting class and the exploited class. Such economic relations of exploiting and being exploited brought about the across-the-board antagonism in political relations and in ideology. Things in the current stage in our country are different. The antagonism between two classes does not exist in socialist relations of production, because there exist only the working class and the socialist collective peasants, and their difference exists only in the form of possessing the means of production. Of course, as our country is now still in the initial stage of socialism, the existence of the private owner stratum consisting of individual laborers and private entrepreneurs is unavoidable. In a certain scope, there are also enterprises with the nature of state capitalism, such as the Sino-foreign joint ventures, the cooperative enterprises with foreign investment, and the enterprises solely owned by overseas investors. However, they still play a certain positive role in realizing socialist modernization and developing productive forces in society. Therefore, there is not only an antagonistic aspect but also a nonantagonistic aspect in relations between the private owner stratum on the one side and workers and peasants on the other.

Although the fundamental interest antagonism does not exist in class relations in the socialist period, complicated contradictions still exist between various classes and social strata at the current stage in our country. This is a basic characteristic in our country's class relations. The root cause of such contradictions is the vestiges of old society. For example, there is a difference between manual and mental work within the working class. As for individual laborers and private entrepreneurs, their private business operation itself is a typical case of vestiges

of the old socialist society. The blindness and spontaneity of private enterprise may easily give rise to an anarchical condition, disrupt the state's planned economy, and even get involved in illegal activities that impair the interests of the state and consumers, and thus contradict the interests of various social strata and state interests. Most of the economic contradictions in socialist society are nonantagonistic contradictions, only some are antagonistic ones. The fundamental way to solve these contradictions is to develop productive forces in society, and at the same time to guide the development of cooperative, collective, and joint operations.

In the socialist period, there exist not only complicated class contradictions, but also class struggle. Class struggle originally referred to struggle between classes with fundamentally antagonistic interests and that existed between the exploiting class and the exploited class or between two exploiting classes. Class struggle of such a nature has withered away under the socialist system. In the socialist period, class struggle exists only between the people and various antisocialist elements. Such antisocialist elements include counterrevolutionaries, enemy spies, various criminal offenders who disrupt the socialist order and other bad elements, and new exploiters who commit corruption, embezzlement, and speculation. These elements sabotage the socialist cause, disrupt social stability and unity, or attempt to overthrow the socialist system. Because they represent the exploiting classes that have been eliminated in our country and the foreign antisocialist forces, our struggle against them is class struggle in nature, and is a special form of the class struggle carried over from the old society to socialist society. However, these elements do not constitute an integrated class, so the struggle against them is a special form of class struggle.

The class struggle in the socialist period is a special form of class struggle. This special form is reflected not only in that the targets of struggle are merely elements rather than a complete class, but also in that such class struggle is concentrated mainly in the political and ideological realm. This is so because of the remaining ideological influence of the domestic exploiting classes and the ideological infiltration of the international reactionary forces pursuing "peaceful evolution." The influence and infiltration of the exploiting class ideology will make some people degenerate into antisocialist elements. They oppose the four cardinal principles and advocate and disseminate ideas of bourgeois liberalization. Some of them even take political action against the Communist Party, the socialist system, and the people's state power. The political disturbance of 1989 demonstrates this point. That political incident shows that class struggle in the socialist period may sometimes be rather fierce.

Because class struggle in the socialist period is a special form of class struggle, some fundamental changes have occurred in the position and scale of class struggle in society. Class struggle exists only "in a certain scope." This characteristic finds expression in the fact that class

struggle is no longer the principal contradiction in our society. A large number of social contradictions have lost the nature of class struggle. This characteristic also finds expression in the fact that class struggle is no longer large-scale mass struggle, and problems are solved mainly by legal means.

Class and class struggle are basic concepts in scientific socialism and also constitute a complicated issue in the practice of socialism. Only by subjecting our work to the guidance of Marxist class theory can we prevent the mistake of magnifying the scope of class struggle and avoid thinking incorrectly that class struggle has died out.

## NATIONAL AFFAIRS, POLICY

### Dong Fureng Comments on Lingerin Problems During Economic Recovery

91CE0190A Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese No 38/39,  
1 Oct 90 pp 14-15

[Article by Dong Fureng (5516 6534 4356): "The Contradiction Between Increasing Demand and the Possibility of the Economy Overheating Again—The Contradiction Between Economic Recovery and Diminished Economic Efficiency—The Contradiction Between Fund Input and Fund Disuse: Several Problems Amid China's Economic Recovery"; the first paragraph in italics is a source-supplied introduction.]

*[Text] In my first special report, published in March of this year in CHING-CHI TAO-PAO No 11, I commented on several hot-points in China's economy. Looking back at those comments today, I still think they were valid. Six months have gone by and China's economy has undergone some changes. Industrial production began to pick up in March, and comparing the months January to July of this year with the same period last year, production has increased 2.3 percent. Harvest has been good and grain production is expected to set a record. The retail price index has gone up only 3 percent compared to the same period last year. There has been an increase in foreign exchange on hand as well as in the balance of bank deposits—civilian savings have increased 39.6 percent for the months January to July of this year compared to the same period last year. All these are changes for the better. But the overall economic situation remains grim. There are many serious problems. The seven obstinate conflicts I talked about last time have yet to be resolved.*

Today, I would like to discuss several noteworthy contradictions in the economy from a different perspective in light of the recent situation.

#### The Contradiction Between Increasing Demand and the Possibility of the Economy Overheating Again

After more than six months, many people now agree that the main problem in the economy is slow market sales, or in other words, inadequate current market demand, and they are calling for more efforts to increase market demand. The government has taken a series of steps since February to ease the tight policy (such as lowering the interest rate, increasing bank loans, increasing capital construction investment, and easing the control over institutional purchasing power), in an effort to increase market demand. The government has adopted very cautious measures, because if they ease up on the economy too much, excess demand may flair up again, and in turn the economy will overheat once more. The possibility still exists. This is because the multibarrel tight economic policy has been in effect for two years, and it has become intolerable for many. Industrial enterprises find it intolerable, because many are not operating at full capacity, and some have even stopped production

and have to live on borrowed money. Even enterprises that are producing hot-selling goods are having a tough time. The chain of debts between enterprises is dragging them down too. Commercial enterprises also find it intolerable. Goods are piling up; sales are down (although they have picked up since June, retail sales for the period January to July are still down 1.5 percent compared to the same period a year ago). The interest burden is heavy, and if this goes on, they will lose money. The financial organs at all levels find it intolerable. They cannot cut spending, nor can they collect the revenues, which come mainly from enterprises, in full and as budgeted. The central government ran up a 1.1 billion yuan budget deficit in the first six months (not including foreign debts). Some citizens find it intolerable, because workers in enterprises not operating at full capacity or have semi-suspended or suspended production are getting less income, and people looking for work are not finding work, and so on.

Thus, there is tremendous pressure from all sides to ease the money supply. It looks as if unless the tight policy is loosened somewhat to increase market demand, the economy will not see much improvement. But if control is eased, excess demand may cause the economy to overheat again, and everything that has been accomplished in the last two years will be wiped out. Such concern is not entirely without basis.

Today, there are signs that pressure is being put on those at the lower levels to increase output value and step up production and vie for more capital construction projects. This is not an easy conflict to resolve. I think that while we are all happy to hear that the economy is slowly picking up, we should be aware of the potential danger of being hit by inflation again. This concern is based on three factors: one, there has been a substantial increase in the loss incurred by state-run enterprises (loss incurred by the budgeted people-owned industrial enterprises from January to July has increased 99.2 percent over the same period a year ago). These losses are being subsidized by the government, and the money-losing enterprises must also borrow money from the banks to keep going. Two, the budget deficit is mounting. Three, bank loans are increasing very rapidly, but the funds are not put to use, and turnover is slow, and in order to sustain economic growth, they must keep adding more funds. I think it is necessary to emphasize the last point.

#### The Contradiction Between Economic Recovery and Declining Economic Efficiency

Ordinarily, economic recovery and improved economic efficiency go hand in hand. When the enterprise capacity utilization rate goes up, cost comes down, and profit and other indicators of economic efficiency move higher. If the economy recovers but economic efficiency declines, the recovery is of little real value, nor can it be sustained. What happened in the first half of this year and subsequently thereafter was abnormal. After industrial productions turned from negative to positive growth, the leading indicators that measure economic efficiency,

such as realized profit tax, the profit tax to investment ratio, the profit tax to sales ratio, and production cost of comparable goods, headed downward. There are many causes to this abnormal phenomenon. For example, market sales were sluggish but production was up; therefore, the stock of merchandise was building, which slowed fund turnover and caused the interest rate to rise. In addition, the price of some inputs had gone up, some products were using more raw materials and energy resources, and labor productivity rate was down in many enterprises. Slack enterprise management was also a factor. Besides all these, I would also like to point out a few other problems worth noting:

*One problem is, the fact that the economy has picked up but economic efficiency is on the decline is attributable to the failure to readjust the supply-mix and to the incompatibility between the supply-mix and the market's demand-mix.* Under the circumstances, if we pay too much attention to increasing the output value but too little attention to increasing sales, goods will be kept in stock longer and will pile up. The conflict between economic recovery and lack of economic efficiency cannot be resolved if we only emphasize output value and speed up the rate of growth while failing to make the necessary adjustments in the product-mix. This is a very important point today. Therefore, we must emphasize the readjustment of the product-mix. We cannot simply go after rapid growth and higher output value at the expense of sales and economic efficiency.

*Another problem is, the fact that the economy is picking up but economic efficiency is not is also attributable to the failure of the money-losing enterprises to make improvements and the failure to eliminate those enterprises.* Today, these enterprises are still being subsidized by the government. As the economy recovers, some of them are still producing money-losing goods or goods nobody wants to buy. The more they produce, the more money they lose and the bigger the stockpile of goods. The subsidy the government pays to these enterprises in fact comes from the efficient enterprises. In other words, the latter are carrying their burden, making it difficult even for them to develop and improve their production. Today, in order to maintain social stability, the government must back the chronically money-losing enterprises that produce goods nobody wants to buy, and it must guarantee the wages of the workers in those enterprises. If this situation is not changed, and without improved economic efficiency as a base, the economy will not be able to sustain this kind of growth, and the only way to pump up the economy will be to expend large amounts of resources and pay the price of even lower economic efficiency. How to deal with the money-losing enterprises is a tough problem. At present there are no effective solutions. Some localities have tried merging the enterprises and have had some success, but it is not an easy task to undertake.

*Lastly, there is the problem with technological improvements.* When the economy is slow and sales are down, technological improvement becomes the way out of the

economic slump. Better technologies can help improve product quality and develop new products that meet market demand, cut energy consumption, and lower cost. Making technological improvements can also increase the market demand for investment goods and in turn bring about economic recovery. Economic recovery which is based on better technologies can be tied to improved economic efficiency and give such recovery a solid foundation. Today, some enterprises have found a way out of the quagmire by making technological improvements, and they have had some success. But we should note that many enterprises still do not find technological improvement necessary or urgent. They have not felt the pressure to make technological improvements. The following figures bear out my point: Comparing the period January to July of this year with the same period last year, fixed asset investment in the ownership by the whole people system has increased 5.4 percent. This includes an 8.8 percent increase in capital construction investment and a 2.1 percent decrease in investment in renovation and upgrading. Slow, inadequate, and even the absence of technological improvements are among the main reasons for the poor, and even diminishing, economic efficiency during the recovery. It should not be difficult to understand how important technological improvement is to the economy's recovery. The problem is, there is no strong and effective mechanism which forces enterprises to make the kind of improvement that will help increase labor productivity, lower cost, improve product quality, and help develop new products. Obviously, this again is due largely to the ability of the money-losing enterprises to survive on government subsidies without being eliminated.

#### **The Contradiction Between Fund Input and Fund Disuse**

Since February of this year, to get the economy moving again, banks have made available large sums of current asset loans. Current asset funds lent to industrial enterprises in the first six months of this year equal the sum of such loans in the same period of the last two years put together. It is indeed a large sum. The reason for this move is that after the money supply was tightened, enterprises in general were feeling the money crunch, and a "debt triangle" between enterprises was formed. Moreover, market demand was down. After the massive infusion of industrial current asset loan funds, because they helped increase fund and market demands, the economy was moving again. The industrial sector began to pick up in March. If we take into consideration the time-lag, these loans will continue to play a role in the economic recovery. But we must also point out that the fund infusion has been less successful than hoped. We can look at this from two different perspectives: First, from the standpoint of the speed of economic recovery, we must realize that the loan funds are put mainly into industries in the ownership by the whole people system, but from January to June, these industries' output value has gone up only 0.5 percent. Moreover, among the people-owned industrial enterprises, most funds have

found their way into the budgeted industrial enterprises—their fixed quota current fund has increased by 20.6 percent in the first six months of this year, but there has been zero increase in their output value. Second, from the standpoint of straightening out the “debt triangle” among enterprises, the input of loan funds did help untangle some “debt triangles” for a while, but they were tied up in knots again soon thereafter. Knots are untied and retied, and debts are sorted out and then tangled up again, and still enterprises are complaining about the tight money. Under these circumstances, in order to sustain the economic recovery and keep it from slipping again, and in order to give enterprises the necessary funds to keep up production, it has become necessary to continue to increase fund input. If this situation is not changed, and if it persists, it may trigger another credit expansion. Obviously, the current problem is no longer a problem of lack of funds but a problem of the failure to circulate the funds, or we can call it a contradiction between fund input and fund disuse. In other words, funds are being put in but they are not being put to use. Much of the industrial current funds are tied up in finished products inventory and are sunk. At the end of last year and early this year, 56 percent of the newly added industrial current funds were tied up in inventory of finished goods and were not put to use, and in the first six months of this year, the proportion has risen to 72.3 percent. Under the circumstances, because fund turnover has slowed significantly and funds reserved for raw materials and other goods make up only a small proportion of the current funds, in order to sustain the production increase, we must continue to put in more funds. There are two main reasons why funds are being sunk as soon as they are put in:

*One reason is there is no market for the products, or the products do not meet the needs of the market, and these in turn are due largely to the failure to readjust the product-mix.*

*The other reason is the improper fund input.* This not only refers to the input of some funds in products which have no market demand or which do not meet market demand but also to the input of funds to increase demand for intermediate products rather than to increase the demand for finished goods. If funds are put in mainly to increase the demand for intermediate goods and not finished goods, although the input may spur the production of intermediate goods for a while, since there is no corresponding increase in the demand for finished goods, the intermediate products eventually will settle in disuse. If the funds are put in mainly to increase the demand for finished goods, things will work their way from the last, the demand for finished goods, to the first link, that is, it will spur the production of downstream products and work its way to the upstream products. Normally, this will not lead to the situations where goods are being stockpiled as fast as they are being produced and funds are sunk as soon as they are put in. What this says is, the result of the input of funds should be an increase in demand for investment and consumer goods.

This means we need to increase fixed asset investment and increase the share of fixed asset investment funds (about 40 percent of the fixed asset investments should be diverted to increase the demand for consumer goods) and reduce the share of current funds. In view of China's recurring problem with bloated and runaway investments, we naturally must be careful with this kind of fund input to avoid another round of bloated investment. Moreover, even with the proper fixed asset investments and increased share of fixed asset investment funds in the newly added funds, we must focus on key investment projects. Today, there are two main areas we should concentrate on: One is the sectors which are plagued by shortages. We need to facilitate the readjustment of enterprise structure and product-mix by readjusting the mix of incremental funds. This approach to fund input will help us achieve our rectification and improvement goals and will have a positive effect on economic development, both in the short-run and in the long-run. The other area is technological improvements to turn the economy from extensive growth to intensive growth. The just-described change in the direction of fund input will help resolve the conflicts between economic recovery and the decline in economic deficiency, between fund input and fund disuse, and between increasing demand and the possibility of the market overheating again. The first two points need no explanations. As for the last point, the [proposed change in] fund input not only can get the economy started again with less money and avoid credit expansion, it can also help cut down on enterprise losses and improve enterprise economic efficiency, and in turn, improving the government's budget situation. Moreover, while increasing demand, this approach is less prone to trigger inflation. To prevent another round of inflation, when we follow this approach, we should take the proper fiscal and monetary measures to regulate the economy. There are no doubts about it. But compared to the current fund input where large sums of money are earmarked for current funds and spent on increasing the demand for intermediate goods and used to increase the production of goods which have not market demand or which do not meet market demands, and therefore funds are sunk as soon as they are put in, this [change in] fund input direction is less likely to trigger another round of inflation.

#### Analysis of Economic Regional Blockade

91CE0180A Beijing JIAGE LILUN YU SHIJIAN  
[PRICE: THEORY AND PRACTICE] in Chinese  
No 11, 20 Nov 90 pp 15-19

[Article by Chen Gongyan (7115 0364 3508): “The Characteristics, Causes, and Remedies of the Current Regional Blockade”]

[Text] In the course of a continuously sluggish market, the phenomenon of the regional blockade has become worse and worse. It has seriously affected the normal development of China's economy and hindered the smooth progress of structural readjustment and the growth of

unified market across the country. Due to this, correctly diagnosing the current phenomenon of the regional blockade and exploring effective solutions has become a major task facing the macroeconomic policy decision of China.

### **I. The Basic Characteristics of the Current Regional Blockade**

Since the beginning of 1990, in order to get out of the economic predicament resulting from a sluggish market, some areas adopted measures in the name of improving economic environment, rectifying economic order, and starting up the market to strengthen the procurement and sales of local products in an attempt to protect the development of local industries, thus causing the phenomenon of the regional blockade to spread quickly throughout the country. The basic characteristics of the current regional blockade are:

1. Judged from the type of regional blockade, the current regional blockade is different from the raw materials blockade of a few years ago when the economy was overheated. It mainly blocks the sales market of products, namely adopting all kinds of measures to forbid or restrict outside products in entering local markets so as to protect the sales of local products.

2. Judged from the content of blockade, a great variety of products are involved in the current regional blockade. All areas forbid at least a dozen or as many as a hundred products to enter local markets. The blockade concentrates mostly on products whose production capacity is distributed most evenly such as durable goods including televisions and refrigerators as well as tobacco, wine, textiles, cement, automobiles, machinery, and electronic products. Because product mix is different, the focus of the blockade is different in different areas, and the degree of blockade of underdeveloped areas is generally higher than that of developed areas.

3. This regional blockade has many different forms. They are mainly as follows: 1) Issuing explicit orders to forbid or restrict outside products in entering local markets. 2) Eliminating outside products in the name of strengthening market management and technological supervision and attacking fake, inferior, and imitation commodities. 3) Using local government's various economic power and the methods of granting tax reduction and exemption, preferred and preferential loans, and bonuses to increase the competitiveness of local products and encourage the sales of local products. 4) Blocking the channel of outside supply of wholesale commerce in the name of "strengthening planned management and consolidating commercial wholesale" and even employing administrative forces to force commercial and foreign trade departments to procure local products. The ratio of procurement and sales of local products is broken down and assigned to commercial enterprises at all levels as contract targets.

4. The scale of the current regional blockade is very wide, involving most provinces and municipalities across the

country. Besides, the blockade exists at multiple levels. It exists not only between provinces but also between cities and counties within the same province. In addition to the blockade of the sales market of products, raw materials, industrial, and capital blockades also exist to different degrees. The multi-level blockade has worsened the longstanding problem of divided central and local governments in the economic movement of China.

5. Regional blockades have a chain reaction. Many areas have drawn up rules and regulations on blockade or disguised blockades. Those areas which have not done so generally believe that they would "benefit by imposing the blockade sooner, come to grief by doing so late, and suffer disaster by failing to do so." And they are preparing to adopt retaliatory measures. So in general, the phenomenon of the regional blockade has the tendency of developing and escalating further.

### **II. The Change of Types of the Regional Blockade and Its Cause**

In the course of China's economic development, the regional blockade is not a new problem. It once existed in a hidden form way back in the traditional planned economy. However, in a highly centralized planned economy, on the one hand, since production enterprises pay attention only to the target of output value, not to efficiency, raw materials are supplied by planning departments, and products are sold exclusively by commercial departments, production enterprises generally do not have the pressure to demand a regional blockade. Previous regional blockade measures were adopted voluntarily mainly by local government organs to ensure the development of local production and market supply. These measures were transformed to a large extent to the local tendency of the distribution of planning targets and to the local coupon supply systems. Therefore, they were actually integrated with the traditional planning system. On the other hand, because the government and enterprises were integrated and administrative behavior was also business behavior, the government's regional blockade measures were not coercive as far as enterprises were concerned. Because of these two reasons, in a traditional planned economy, the central government, enterprises, and residents react very slowly to local protective measures which appear in a hidden form.

Since the economic reform, a series of changes have taken place in China's economic system. The most important is the "introduction" of market mechanism, which broke the monopoly situation of the traditional planning system and formed an economic operation mechanism that connects the planning and market systems like "boards." Along with the abovementioned changes in the economic system and as the market mechanism continues to grow in the economy, China's regional blockade has taken on a new form. Namely, compared to previous regional protective measures which appeared mostly in hidden forms, since the reform, the phenomenon of the regional blockade has become increasingly more obvious and open. This open

phenomenon of the regional blockade has two main characteristics: 1) In the course of reform, according to the principle of separating government administration from enterprise management, we carried out simultaneous reforms of enterprise management and government administration systems, enabling enterprises to become relatively independent economic entities. Because of this, government and enterprise behaviors became inconsistent. Both government and enterprise behaviors contain factors that contradict with each other. On the one hand, enterprises strive to break free from government control to become really independent economic entities. On the other hand, they would ask for government protection when they cannot adjust to (or control) the impact of environmental changes, especially when production enterprises suffer from a serious shortage of raw materials or very sluggish sales. At the same time, on the one hand, the government cannot but relax excessive control over enterprises in the course of establishing a new type of government-enterprise relationship. On the other hand, because the traditional thinking and method of government controlling enterprises have been preserved to a certain degree, the government is willing and quick to satisfy enterprises' demand when enterprises seek protection. These contradictions of government and enterprise behaviors are special expressions in the course of structural transition in China and an inevitable phenomenon in the economy of the "dual-track system." It contains the factor of adjusting to the planned commodity economy and some trace of traditional planned economy. Such contradictions of government and enterprise behaviors have switched part of the motive power of the regional blockade from local governments to production enterprises and made local governments' blockade measures to appear more compulsory on enterprises, especially commercial enterprises. 2) Since the reform, due to the introduction of the market mechanism, China's economy has gradually changed from a plan-guided type to a consumption-guided type. As a result, changes in the intensity of market demand have greater and greater influence on the regional blockade. When the intensity of market demand increases, the open regional blockade is manifested mainly as a raw materials blockade. Conversely, when the intensity of market demand decreases, the open regional blockade is manifested mainly as a sales market blockade. Therefore, if we say that the structural change is what caused the regional blockade to change from hidden to open forms, the change of the intensity of market demand is what caused the open regional blockade to change back and forth between the blockade of raw materials and the blockade of product sales market. The change of the intensity of market demand is generally caused by errors in the application of macroeconomic policies.

However, we need to point out that the cause for the change of types of the regional blockade is different from the cause of the regional blockade. The two must not be confused. The cause of the regional blockade should be discussed from two different levels, namely: 1) Why do

different regions want to impose a blockade? 2) How could they succeed in doing so?

Judged from the first level, regions impose blockades mainly because they are driven by regional interests. Regional interest is a general concept. Regional economic development and social stability are the most important, fundamental, and lasting factors. Market demand changes, irrational regional industrial distribution, and unreasonable local financial contracts and price relations are only few factors affecting regional economic development. They are at most secondary factors that lead to or intensify the regional blockade. They are by no means the most important cause. In other words, even if these secondary factors did not exist, the desire of regional protection would naturally occur as long as local government departments have the same responsibilities in local economic development and social stability as they do now. This actually involves a basic choice which has not been cleared but must be made as soon as possible in the course of China's economic reform. That is: Which is the main body of regional economic development—local government or the enterprise? If we choose the former, the regional blockade will become inevitable. To elaborate on this, as far as responsibilities are concerned, it is beyond reproach for local governments to seek regional economic development and adopt measures to protect local interests when necessary. The key is not why local governments want to protect local interests. The key is how they could succeed in doing so.

Judged from the second level, regions want to impose blockades, and can do so successfully because the existing system has provided some conditions. The three major ones are: 1) Government administration is confused with enterprise management. Since the reform, although we have continued to emphasize the need to separate government administration from enterprise management, the current situation shows that they have not been completely separated. Because enterprises are not completely independent economic entities and the government still can directly interfere to a very large degree in enterprises' management activities, it is very easy to enforce the government's blockade measures. 2) The circulation system is irrational—especially under the condition that the unified procurement and marketing system is not functional, we only think of the need to introduce market mechanism but fail to establish an effective and powerful central regulatory and control system. 3) Some measures adopted in the course of reform have strengthened the power of local governments but weakened the centralized management functions of relevant central departments. Such measures have also brought about, to a very large degree, a tendency of localization in the power of national functional management departments such as industrial and commercial, supplies, business, pricing, transportation, and banking departments at all levels, except for the central one. As a result, such departments let themselves controlled by the need of local economic development



and implement preferential policies in the nature of regional protection, thus increasing the ability of local governments to impose blockades.

Judged from national economic development as a whole, the regional blockade, regardless of what form it is in, is harmful to the optimum distribution of natural resources and the rationalization of industrial structure. However, when compared to the blockade of product sales market, the blockade of raw materials has, to a certain degree, a positive factor. It shows that processing industries heavily dependent on regional, natural resources should be placed as close to the production areas of raw materials as possible and that a correct and rational transport distance between the production areas of raw materials and processing enterprises should be determined. With regard to those processing industries, whose raw material supply is outstripped by demand and whose transport distance is too great, resolute measures should be adopted to close, suspend, merge, retool, and relocate them. This is one of the basic principles that we must follow in the readjustment of our industrial structure.

### III. Countermeasures for Solving the Problem of Regional Blockade

By reviewing the above analyses we can see that the phenomenon of the regional blockade is actually a "syndrome," which is an expression of all-round abnormality in the relations between the central and local departments, between different regions, and between the government and the enterprise. It is caused by irrational circulation systems and mistakes of macroeconomic policies. Eliminating the phenomenon of the regional blockade may take a very long time, and there is no quick radical cure for this problem. I think that the way to eliminate the regional blockade is not to destroy local governments' desire to protect local interests but to eliminate mainly policy-induced and industrial structure-induced causes and conditions which regional blockades need to succeed. At present we should pay attention to adopting the following few countermeasures:

1. Correctly use macroeconomic policies to ensure the steady increase of effective social demand

Changes in the intensity of social demand that are caused by the mistakes of macroeconomic policies are the root cause of the switch of the open regional blockade from the raw material blockade to the product sales blockade. They can be seen, to a certain degree, as one of the factors inducing the open regional blockade. We have fairly profound lessons in this regard. In 1988 and several years prior, in order to support the fast growth of the economy, we actually adopted a very loose macroeconomic policy which helped the national economy achieve faster development but resulted in an inflation that is getting increasingly worse each day, inducing one round of "raw materials battles" and regional raw materials blockades after another. Conversely, after the fourth quarter of 1988, in order to check the excessive

high inflation, we again adopted an overly tight retrenchment measure. As a result, although we succeeded in stopping the tendency of price increase, we caused market sales to continue to be sluggish and industrial production to slide and induced the phenomenon of the regional market sales blockade, which is growing worse everyday. After reviewing the application of macroeconomic policies in the past few years, I think that we need to draw lessons from two areas: 1) Macroeconomic policies are comprehensive policies. They are important policies that can affect the national economy as a whole. Because of this, when using macroeconomic policies to achieve a certain policy objective, we must consider their impact on other sectors of the national economy and adopt preventive or remedial measures as soon as possible. 2) The steady increase of effective social demand (namely aggregate demand that is equivalent to aggregate supply) is one of the important conditions for the steady development of the national economy. Due to this, when using macroeconomic policies, we should try to avoid the violent fluctuation of aggregate social demand to prevent the expansion of aggregate demand as well as the shortage of effective demand. Of course, the steady increase of effective demand can only check within a certain limit the expansion and change of the phenomenon of the regional blockade. It cannot eliminate the root cause of the regional blockade. For this, when solving the problem of the regional blockade, using macroeconomic policies to maintain a steady increase of effective demand can only serve as a temporary solution.

2. Regrouping industries to readjust the situation of regional interests

Regional blockade measures are adopted by local governments mainly to protect regional interests; an imbalanced situation of regional interests further increases the necessity of such protection. The imbalance of the situation of regional interests is caused by various factors. The most fundamental cause is the irrationality of the structure of price relations. Because processed products are expensive and lucrative, all areas rush to establish processing industries. As a result, regional industrial structure is assimilated and many processing industries which rely heavily on regional resources are established far away from the production areas of raw materials, causing long-distance transportation. In the course of the regional blockade in the past few years, products that are most seriously affected by the blockade are processed goods whose production capacity is distributed most evenly and enterprises that are most seriously affected by the blockade are processing enterprises whose raw materials need to be transported over long distances. In China, consumption demand is greater than the production capacity of the processing industry and the production capacity of the processing industry is greater than the production capacity of raw materials. Under the situation of a multi-level shortage, it is very difficult to rationalize the structure of price relations. Because of this, the readjustment of the situation of regional interest can rely to a large degree only on the rationalization of

industrial distribution. In other words, enterprises of overdeveloped processing industries which suffer from a serious shortage of raw materials should be closed, suspended, merged, and retooled on the site. Or they may be regrouped through the transfer of property rights from one region to another, the purchase of shares, and integrated management. Enterprises which are far away from the production areas of raw materials, but have good economic returns and advanced production technology may be relocated to places within a reasonable transport distance. They should be as close to the production areas of raw materials as possible to make it easy to organize rational regional economic activities and reduce the conflicts of interest between regions. Such industrial readjustment centering on industrial regrouping is undoubtedly conducive to alleviating the phenomenon of the regional blockade. It may be regarded, after all, as a permanent cure.

3. Speeding up the separation of government administration from enterprise management and enable enterprises to become completely independent economic entities.

Since the confusion of government administration with enterprise management is the microeconomic basis for the success of the regional blockade, speeding up the separation of government administration from enterprise management should be a permanent cure. We should admit that since the economic reform, government-enterprise relations have witnessed fairly noticeable changes and enterprises have freed themselves to a large degree from government control. Because of this, in the course of the regional blockade, which broke out in the past few years, enterprises adopted to varying degrees some resistance measures against the blockade orders of local governments. However, such resistance is very limited. Because of this, continuing to promote the separation of government administration from enterprise management should be one of the main tasks in future reforms. Separating government administration from enterprise management is not simply severing direct ties between the government and the enterprise. It should include at least the following two aspects: 1) Set a standard for government behavior to enable the government to become a manager in name and reality. 2) Establish a rational enterprise operation mechanism. We should not only make enterprises really independent economic entities but also give enterprises power to invest across the country so as to free investment behavior from the restriction of local governments, facilitate the formation and development of inter-regional enterprise groups, and make enterprises the main body that promotes economic development. Only by so doing can we thoroughly destroy the microeconomic basis for the regional blockade.

4. Improve management method and strengthen centralized management

Judged from the situation as a whole, China's economic reform has made outstanding achievements. Its basic

orientation and principle are all correct. But there have been some errors in the course of reform. The most important is that when improving the economic management system of the government, we overemphasized the distribution of management power and ignored the improvement of management method. Because of this, the reform of government management system basically has failed to break through the frame of the reform of "decentralizing power." This has helped preserving the outdated management method while weakening the centralized management of the central government and strengthening the decentralized management of local governments. This has brought about a situation in the national economy where "it is light on the top and heavy on the bottom" and "the higher level makes policies and the lower level takes countermeasures." These changes in the management system undoubtedly are an important reason for the worsening regional blockade in the past few years. Therefore, to find a permanent solution, we should try to improve the decentralized situation of national economic management and reverse the tendency of localization in the management power of central functional management departments. On the basis of improving management method, we should strengthen the centralized management of the central government and readjust the relations between the central and local governments. Currently, we mainly should carry out the following tasks: 1) Draw up a reform plan for a national economic management system and design a goal model of management system in accordance with the principle of facilitating the development of the planned commodity economy. 2) Improve and strengthen national management rules and regulations and ensure that there are laws for the behavior of central functional management departments. 3) Standardize the power and responsibility of central functional management departments and limit the direct interference of local governments on functional management departments to make functional management departments relatively independent.

5. Reform the circulation system and perfect the central regulatory and control system

Since the reform, along with the development of the commodity economy, the national product transfer system which long existed in China's planned economy has gradually collapsed, while no corresponding substitute system has been established, creating many problems for the national circulation of urgently needed or major commodities. This oversight, in the course of the reform of circulation system, is undoubtedly a rootcause of the chaos of circulation order in recent years. It has also provided necessary system conditions for the survival of the phenomenon of the regional blockade. Therefore, to eradicate the phenomenon of the regional blockade, speeding up the reform of circulation system is a must. The main contents of China's circulation system reform should be: 1) Establish a unified circulation system, eliminate the not-so-harmonious situation among commercial, supply and marketing, grain, supplies, foreign trade, industrial and business, and pricing

departments, and establish unified rules and regulations for commodity circulation and enterprise operations. 2) Resolutely implement the principle of separating government administration from enterprise management and enable circulating enterprises to be really independent from government organs and to survive and develop on their own. 3) Establish an effective central regulatory and control system with the focus on building a central storage system and supply network under the direct control of the central government to ensure the smooth progress of planned production and construction.

In sum, China's regional blockade is a "syndrome." In a certain sense, it can also be called an "institutional disease." To solve the problem of the regional blockade, we should combine temporary and permanent cures, but with emphasis on the latter. Because of this, we should look for the solution in the structural reform.

### **Seventh Five-Year Plan Sees Results in Impoverished Areas**

91CE0226A Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 24 Dec 90 p 1

[Article by Yang Xu (2799 1776): "China Attains Notable Achievements in Helping and Developing Poor Areas"]

**[Text] The per capita net income of peasants in 72.8 percent of poverty-stricken counties is above the food and clothing level. The target of resolving food and clothing problems in most poor areas during the Seventh Five-Year Plan has basically been met.**

During the Seventh Five-Year Plan, China has focused on helping and resolving food and clothing problems in poverty-stricken areas, and it has scored remarkable achievements. A report provided by the General Investigation Team on Agriculture of the State Statistical Bureau shows that, in 679 poor counties (municipalities, districts, and banners) which receive aid from the state, provinces, and autonomous regions, peasants' per capita net income has reached 390.5 yuan. This is an increase of 58.8 percent over the 1985 level, which was 245.9 yuan. Apart from price factors, the average annual growth rate is 4.8 percent. Based on 1985 constant prices, peasants' per capita net income is over 200 yuan in 72.8 percent of impoverished counties. According to estimates by concerned departments, by the end of 1990 the goal of solving food and clothing problems in most poor areas during the Seventh Five-Year Plan can basically be realized. This goal was put forward by the State Council in 1986.

Historic changes have taken place in China's poor areas during the Seventh Five-Year Plan, thanks to the great support of the state, provinces, and autonomous regions, and the painstaking efforts made by people in poverty-stricken areas. According to statistics from the General Investigation Team on Agriculture gathered on 679 poor counties that received aid from the state, provinces, and autonomous regions, at the end of 1989, the rural

population in poor counties whose per capita net income was below 200 yuan fell to 14,864,000. This was a drop of 75.4 percent compared to 1985's figure of 64,542,000. These counties' share of the total rural population in poor counties that received aid dropped from 29.5 percent to 6.9 percent.

Statistics indicate that the number of counties which have surpassed the poverty line has increased notably. According to statistics, the number of counties that receive aid and whose peasants have a per capita income of over 200 yuan has increased to 622; this is an increase of 36.7 percent when compared with 1985's figure of 455. This accounts for 91.6 percent of all counties receiving aid. Among these counties, 186 have per capita incomes of between 200 and 300 yuan, 199 have per capita incomes of between 300 and 400 yuan, and 140 have per capita incomes of between 400 and 500 yuan. There are 97 counties whose per capita incomes exceed 500 yuan; they account for 14.3 percent of all counties receiving aid. Particularly after several years of comprehensive support and economic development, there are 36 counties whose peasants' per capita net income exceeded the national average, which at the time was 602 yuan. They have become the vanguards in the conversion of poverty into prosperity in China's poor areas. According to analysis, the counties that receive aid and have per capita net incomes of over 500 yuan are centered mainly in five provinces and autonomous regions. These are Jiangxi (26 counties), Guangdong (19 counties), Inner Mongolia (10 banners), Fujian (9 counties), and Hubei (8 counties). They account for 73.2 percent of the total number of counties whose per capita income is over 500 yuan. Meanwhile, the number of counties that receive aid and have per capita net incomes below 200 yuan has dropped considerably. In 1985, of all the 679 counties receiving aid in China, there were 224 counties whose per capita net income was below 200 yuan, accounting for one-third of all counties receiving aid. In 1989, there were only 57 such counties; this was a decrease of 74.6 percent. Statistics indicate that these 57 counties are located mainly in the three provinces of Yunnan (15 counties), Guizhou (13 counties), and Gansu (12 counties).

According to investigations and analyses, after several years of intensive help, great changes have taken place in counties that were impoverished. They share many common points. First, concerned departments of the central, provincial, or autonomous region's governments actively support them with financial, labor, and material resources. They adopt a series of comprehensive measures to help and develop poverty-stricken areas. These measures are characterized by the use of the contract responsibility system, the link method, and scientific and technological methods. All of them have enhanced the life-creating ability of impoverished counties. Second, poverty-stricken counties can choose their own resource superiorities to develop mainstay industries that will rapidly convert their superiority in resources into a superiority in commodities. Third, much attention

is given to comprehensive development, expanding appropriate technologies, and introducing fine varieties of crops and advanced planting methods. The implementation of the "Spark Plan," a "bumper harvest plan," the "Prairie Fire Plan," and a "food and clothing project" have improved the self-sufficiency of poverty-stricken counties. Fourth, newly-built, rebuilt, and extended constructions, such as highways, power plants, drinking water projects, and educational, cultural, sanitary, and other public service facilities, have promoted the development of public facilities in poor areas.

Although remarkable achievements have been made in developing poverty-stricken counties, still the backwardness of many poor counties has not changed substantially. The task of helping and developing these counties is still very formidable. According to data analysis which uses 1985 prices as constant prices, of the counties receiving aid, there are still 185 counties whose peasants have a per capita net income below 200 yuan. Moreover, populations that still face food and clothing problems are concentrated mainly in areas where natural conditions are very poor and where the degree of social development is relatively low. These areas include regions where minority groups live, mountainous areas, disaster-stricken areas, and areas that have problems with drinking water. Improving the situation in these areas is extremely difficult. Therefore, in order to thoroughly change the backwardness in poor areas, leaders at all levels still need to make hard, unremitting efforts for a long time.

#### Conference Forecasts 1991 Market Trends

91CE0226B Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 24 Dec 90 p 4

[Article by Xu Naizhao (1776 0035 6856): "An Analysis of Market Trends in China in 1991"]

[Text] Recently the Commercial Information Center of the Ministry of Commerce held a market forecasting conference in Kunming to analyze market trends in 1991. On the whole, both the economic and market situation in 1991 will be better than in 1990. The increase in the pace of the market will be faster than the increase in the second half of 1990, and the market will gradually regain its normal rate of growth. According to preliminary forecasts, the total volume of retail sales of social commodities will be 900 billion yuan, an increase of 9 percent over 1990. There will be an increase of approximately 7 percent during the first half of 1991 and an increase of 11 percent in the second half of 1991. The major reasons for this forecast follow.

First, the purchasing power for social commodities will increase appropriately. Total wages of employees will also increase. It is expected that in 1990 total wages of employees in China will increase about 7 percent over 1989 levels. Since industrial production will rise in 1991, the income of enterprise employees will continue to grow. It is predicted that the total wages of employees in

1991 will increase about 9 percent over 1990 levels, for an increase of about 25.5 billion yuan.

The monetary income of peasants will increase. There is a bumper harvest this year. It is expected that in 1990 peasants' income from both agricultural and non-agricultural production will increase by about 7 percent over that in 1989. Per capita income is 644 yuan, an increase of 43 yuan. Estimates are that in 1991 total income will increase 9.6 percent over 1990 levels. Per capita income will be 696 yuan, an increase of 52 yuan.

Social groups' purchasing power will rise again. Controls of social groups' purchasing power were appropriately relaxed in the second half of 1990. It is expected that social groups' purchasing power for all of 1990 will increase 6 percent over 1989 levels. In 1991, based on the premises that the total volume is under control and that purchasing power regains its normal level, it is forecast that social groups' purchasing power will increase 11.6 percent over 1990 levels.

Investment demand will gradually rise again, which will directly and indirectly increase consumption demand. Since the second half of 1990, the state has appropriately adjusted the degree of austerity, and fixed asset investments of enterprises owned by the whole people have gradually risen. It is expected that in 1990 fixed asset investments will increase 11.2 percent over 1989 levels. According to an analysis of market indicators, fixed asset investments are reflected in the market two months after they occur. Additional investment in the second half of 1990 will be clearly reflected in the increase in market demand this winter and spring. It is expected that the scale of the fixed asset investments in 1991 will increase 12 percent over 1990 levels. Of this, the amount converted into the consumption demand will increase by about 20 billion yuan.

Second, consumption psychology has returned to normal. A. Retail prices of social commodities are expected to rise to about 8 percent in 1991. Consumers' expectations that the prices will fall have been eliminated. B. Banks have reduced interest rates on savings. The benefits from savings seem to be small. The growth of savings will return to normal after the high-speed growth that has occurred since 1989. C. There has been definite growth in both urban residents' and farmers' incomes in 1990. It is forecast that the growth will be even higher in 1991, and the consumption psychology will become normal. D. Apart from durable goods, the commodities purchased prematurely by residents in 1988 have been consumed. This will favor the conversion to normal purchasing behavior and increase the proportion of immediate consumption in 1991.

Third, effective supply has been further enhanced. Industrial production continues to rise, and adjustment of the product structure is under way. Marketable products continue to increase, and new products and designs

are constantly introduced. It is forecast that the unsuitable contradictions between the product and demand structures will be relaxed in 1991. Effective supply will grow further.

Agricultural production is in good shape. In 1991, the state policy to greatly enhance agricultural development will not change. If weather conditions are normal, agricultural production will continue to maintain its fine momentum, which will provide a steadily growing supply of goods for the agricultural and sideline product markets.

Fourth, following the law of cyclical fluctuations in the market, overall, the market will be in a rising phase in 1991, moving from a lower to a higher position. Cyclical, high-low fluctuations exist in China's consumption market. There will be a peak around every four years. At present, market operations are crawling out of the trough of the cycle, and it is in the phase of rising from the lower position to the normal one. The growth rate of the total volume of retail sales of social commodities is likely to enter the normal range of growth in the second half of 1991.

## PROVINCIAL

### Statistics on Henan's Economic Development

*HK1302110891 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 10 Feb 91*

[Text] On the morning of 9 February, the provincial Statistics Bureau held a news briefing. Press spokesman (Miao Shenghong) talked about Henan Province's economic development in 1990 from four aspects. He said: In 1990, our province continued to implement the decision of the CPC Central Committee on further carrying out reform and opening up, and deepening the reform, pursuing a series of policies and measures of the State Council on exercising control over production output and properly readjusting macroscopic control. We achieved marked results in this regard, which were specifically reflected in the following four aspects:

1. Our provincial economy continued to increase, and supply and demand of the society were markedly improved. Last year, GNP of the whole province was 88.4 billion yuan, an increase of about five percent over 1989 if calculated in terms of comparable prices. Our national incomes were 73.6 billion yuan, an increase of about four percent over 1989. Due to the fact that governments at all levels attached importance to agriculture, and increased their investment in agriculture, and implemented the measures of invigorating agriculture by making use of science and technology in addition to favorable weather, we reaped a bumper agricultural harvest last year. Gross agricultural output value of the whole province was 6.5 percent higher than 1989. Our total grain output reached a record high of 66 billion jin. Our total cotton output was 676,000 ton, an increase of 28.2 percent over 1989. Our total output of oil-bearing

crops reached 1,523,000 tons, an increase of 28.5 percent. Our animal husbandry, aquatic products industry, breeding undertaking, and township and town enterprises achieved new development amid readjustment. Our industrial production gradually picked up, and the accumulated total industrial output value of the whole year of enterprises above township level was 76.1 billion yuan, an increase of 5.4 percent over 1989. Our heavy and light industries basically maintained their stable growth. Basic industries such as energy, and major raw and processed materials also maintained their momentum of steady growth. Industry aimed at supporting agriculture rose markedly. Through readjustment, light and textile industries gradually adapted themselves to market demand, and production output of marketable products increased incessantly.

2. Demands of the society gradually revived, and blocking of circulation channel had been cleared away to a certain extent. According to initial statistics, in 1990 social investment in fixed assets of the whole province was 20.5 billion yuan, an increase of 9.5 percent over 1989. New progress was made in the readjustment of investment structure. Investments in agriculture, energy, communications, and cultural, educational and public health undertakings were strengthened. Some 14 key projects including Zhongyuan Chemical Fertilizer Plant, Anyang [words indistinct] plant, and others were completed and went into operation ahead of schedule. During the whole year, our production capacity was considerably enhanced. Consumption and market demand gradually revived, and our market gradually turned active.

3. We made a new progress in opening up to the outside world. Our income in foreign exchange through export increased considerably. In 1990, the total export volume of the whole province was \$870 million, an increase of 5.9 percent over 1989. Of those export commodities, the proportion of industrial goods was markedly higher than the level of several years ago. There were three newly signed agreements on making use of foreign capital throughout the province. Agreements and contracts on making use of foreign capital of the whole province involved \$21.94 million. In the whole province, there have been 88 enterprises run by the three kinds of capital, which have been in full operation, an increase of 13 over 1989.

4. Our commodity prices were stable, and our economic environment was improved continuously. Our commodity prices had increased by a big margin for two years in succession throughout the province. However, the margin of increase was markedly smaller last year. The general level of retail prices was 0.3 percent lower than 1989. Prices of grain, fresh vegetables, meat, poultry, eggs and so on remained stable, or dropped. Although measures aimed at readjusting prices of foodstuffs, edible oil, soap, washing power, and so on were taken, there was no strong market fluctuation.

(Miao Shenghong) continued: Reviewing our province's economic development in 1990, we feel both happy and worried, because first, the situation of overstocking of finished products is serious, and at the end of the year the budgetary amount of money involving the overstocking of finished products of the whole province was as high as 5.7 billion yuan, 42 percent higher than the beginning of the year. The closing commercial inventory of the society reached 19.6 billion yuan, an increase of 16 percent. The scale of loans has been expanded. At the end of the year, the amount of loans provided by banks was as high as 63.7 billion yuan, an increase of 12.4 billion yuan over the beginning of the year. A fairly big amount of funds was held up by the newly increased inventory and commercial loans. [passage indistinct] Enterprises have still lacked funds. Second, economic results of enterprises were still poor. Budgetary profits and tax turned over to the state was 16.4 percent lower than 1989, and enterprise profits of the whole province dropped by 34.3 percent. Costs of goods manufactured increased by 9.8 percent. Enterprises' deficits reached 390 million yuan, an increase of 260 percent over 1989. Our commercial economic results were not ideal. Affected by poor enterprises' economic results, our commercial field faced greater financial difficulties, and its incomes could hardly increase. Third, our rural market, which is our base, was sluggish. This had affected the economy of the whole province to a certain extent.

(Miao Shenghong) pointed out: The year 1991 is the first year of the Eighth Five-Year Plan. The whole province must continue to promote economic improvement and rectification. Under the prerequisite of ensuring and improving output balance, and avoiding the recurrence of overheated economy, we must implement the spirit of [words indistinct], and fully make use of the present favorable situation of more stable social environment and revival in economic life, we must expand our reform around the central task of readjusting production setup, and enhancing economic results, so that we can truly make a new progress in easing contradictions at the deeper level, and our provincial economy can embark as early as possible on the path of sustained, stable and coordinated development.

## INDUSTRY

### Panxi-Liupanshui Natural Resource 'Golden Triangle'

#### Industrial Construction Plans

91CE0108A Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese No 40, 8 Oct 90  
pp 16-17

[Unattributed article: "The Panxi-Liupanshui Area Will Build a Major Industrial Base"]

[Text] The Panxi-Liupanshui area, which is located on the borders of Sichuan, Yunnan, and Guizhou Provinces, is planning to build a major industrial base

focusing on the development of natural resources. At present some preliminary work has already started.

According to the requirements of the state plan, while developing agriculture and forestry, this area will concentrate on the development of iron and steel, nonferrous metals, coal, phosphorous chemical, electric power industries to gradually build itself into a major energy and raw materials production base. The State Council office in charge of programming the construction, readjustment, and transformation of areas on the third front and the Sichuan, Yunnan, and Guizhou provincial governments have formulated a great plan in accordance with the above requirements. It includes the construction of a hydraulic- and thermal power-regulated power industry with a total installed capacity of 80 million kw, a coal industry with an annual production capacity of 150 million tons of raw coal, and a steel industry with an annual production capacity of 7.5 million tons of steel.

This area covers 174,000 square kilometers of land and contains 68 counties in 12 prefectures, autonomous prefectures, and cities including Panzhihua, Yibin, Liangshan, Luzhou, and Leshan of Sichuan, Shaotong, Dongchuan, Qujing, and Cuxiong of Yunnan, and Liupanshui, Bijie, and Qianxinan of Guizhou. This area is characterized by the high concentration of hydraulic energy and mineral resources. Its hydraulic energy reserves rank first in the country. This area has 72 kinds of proven mineral deposits. Among them, coal deposits rank first among the areas south of the Yangtze river, iron deposits rank second in the country, sulphur and phosphorus deposits rank high in the country, gold and copper deposits rank second in the country, and titanium and vanadium deposits rank first in the country. There are also many other kinds of precious metal and nonferrous metal reserves.

#### Official Interviewed on Project

91CE0108B Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese No 41,  
15 Oct 90 pp 25-36

[Interview with Zhou Changqing (0719 7022 1987), deputy director of the State Council office in charge of programming the construction, readjustment, and transformation of areas on the third front, by Zeng Guanglu (2582 0342 4389): "Develop the Natural Resources of 'Golden Triangle' in the Southwest"]

[Text] CHING CHI TAO PAO recently took the lead in exposing the information that conditions are ripe for developing the natural resources of the "golden triangle" in the southwest (namely the Panxi-Liupanshui area) (see No. 2182 and 2190 issues of CHING CHI TAO PAO). Many readers want to know more details about this, so a few days ago I did a special interview with Zhou Changqing, deputy director of the State Council office in charge of programming the construction, readjustment, and transformation of areas on the third front and head of the leading group for the comprehensive development

plan of natural resources in the Panxi (Panzhihua and Xichang) and Liupanshui area, on several issues concerning the development of this area. Deputy Director Zhou gave detailed answers to all the questions we asked.

### Important Policy Decision

[CHING CHI TAO PAO] How was the important policy decision on the development of the Panxi-Liupanshui area brought up?

[Zhou Changqing] It was brought up in accordance with the Seventh Five-year Plan. The Seventh Five-year Plan stipulates that "we should develop the juncture of Sichuan, Yunnan, and Guizhou Provinces. While vigorously developing agriculture and forestry in this area, we should focus on the development of iron and steel, nonferrous metal, coal, phosphorus chemical, and electric power industries to gradually build this area into a major energy and raw materials production base." This is also the general goal to be achieved in the development of natural resources in the Panxi-Liupanshui area. It is an important policy decision for revitalizing the southwest and developing the economy of the entire country.

The State Planning Commission held a national land planning meeting in 1987 to discuss and study mainly the issue of development of natural resources across the country. The meeting decided to plan to establish 19 economic resources development areas across the country. Two of them will be developed first. One is the Yangtze River Delta (involving Suzhou, Wuxi, Changzhou, Shanghai, and Hangzhou areas) which is in the east and based on the development of the processing industry. The other is the Panxi-Liupanshui area, namely the west, based on the development of energy and raw materials resources.

### Richest Resources in the World

[CHING CHI TAO PAO] Why did the state decide to develop this area first?

[Zhou Changqing] The state decided to develop this area mainly because of the following three reasons:

First, this area is exceptionally rich in natural resources. The Panxi-Liupanshui area has highly concentrated mineral and energy resources. It has large reserves, concentrated distribution, and ideal support conditions. Such areas are rare not only in China but also in the world.

Mineral resources: Seventy-two out of the 134 proven mineral deposits of China are found in abundance in this area. Coal is found in all three provinces of Yunnan, Guizhou, and Sichuan, but it is most concentrated in Liupanshui of Guizhou where there is a wide variety of good-quality coal and reserves rank first in southwest China. Liupanshui is the largest coal mine in southwest China. After inspecting a coal mine in Yunnan, a delegation of experts from the Federal Republic of Germany said that, "The thickness, hardness, and mining conditions of coal bed are all superior than Ruhr." Iron is

concentrated mainly in the Panxi area, and reserves rank second in the country, next only to the Anbencheng mine. The Panxi iron mine is the second largest in China. It is a mine of vanadium, titanium, and magnetite—a rare mine of the intergrowth of multiple metals in China. It has the intergrowth of over 20 metals including scandium, nickel, chromium, molybdenum, and platinum. The economic value of the comprehensive utilization of these metals is high and their reserves are also shocking. Vanadium reserves of this area account for 64 percent of the nation's total, and titanium reserves account for 93 percent. After inspecting Panxi, the noted Professor Qian Weichang [6929 0251 7022] said: "Judged from the angle of agricultural development, the Chengdu plain has been since ancient times 'a land of abundance' and judged from the angle of industrial development, the Panxi area is also a 'land of abundance.' In addition to iron and coal, this area also has such mineral resources as sulphur, phosphorus, copper, lead, stibium, and zinc. Mines scattered throughout this area are limestone, quartzite, sand, clay, asbestos, kaolin, barite, and graphite. The copper reserves of the Dongchuan mine in Yunnan Province rank second in the country. The Zhongba graphite mine of Panzhihua is the second largest graphite bed in China. Rich sulphur and phosphorous resources combined with coal and water conditions have provided superior conditions for the building of a sulphur and phosphorous chemical industry base. This is rare even on the national scale."

Hydraulic energy resources: Hydraulic energy resources in this area can be considered the best in the country. Potential reserves per area and per capita rank among the highest in the world. Hydraulic energy resources are concentrated mainly in sections of the Jinsha, Yalong, Dadu, Nanpan, Beipan, Yili, and Hengjiang rivers. Theoretical reserves are 100 million kw. Potential hydraulic energy resources are 61 million kw, and annual electricity output may reach 340 billion kwh, accounting respectively for 16 percent of national potential reserves and 18 percent of total annual electricity output generated by hydraulic power. Potential hydraulic energy resources for 1 square km are 1 and a half-fold higher than that in Switzerland, which has highest hydraulic energy resources in the world. Per-capita hydraulic energy possession is lower only to that of Norway, Zaire, and Canada.

### Basic Development Conditions Are Ripe

Second, the third-front construction has paved way for further development of this area. After over 20 years of hard work in the large-scale third-front construction which began in the mid 1960's, old cities like Yibin, Luzhou, Qujing, Shaotong, and Xichang have become increasingly prosperous. In addition, a number of new industrial cities such as Panzhihua, Liupanshui, and Dongchuan are also rising. Dongchuan is a famous copper capital of China. Liupanshui is the No.1 coal city in areas south of the Yangtze river that has an annual production capacity of 14 million tons. Panzhihua now has over 600 industrial enterprises which produce 2.5



million tons of steel a year (including the second phase of construction). It is a jewel on the bank of the Jinsha River. All these are the basis for the further development of natural resources in the "golden triangle." Over 250 energy and raw materials enterprises owned by the whole people were built in the past 20 years in this area. Among them, 47 were large-scale backbone enterprises. All these enterprises have provided experience, prepared talented personnel, and created conditions for the further development of the Panxi-Liupanshui area.

The two new railroads—Chengkun and Guikun lines—which were built in the third-front construction have become the major arteries of transportation for this area. The total mileage of railroads open to traffic in this area is 1,400 km, and their total annual transport capacity is near 10 million tons. The total mileage of highways open to traffic in this area is over 36,600 km. Water transportation is available in the north on the Jinsha and Yangtze rivers. One thousand ton-fleet can navigate between Yibin and Chongqing and directly to the coastal area. After dredging, waterways within Qianxinan Prefecture may be open to navigation. Boats can go directly to Guangzhou through the Hongshui and Xijiang rivers.

#### Need To Readjust Industrial Structure

Third, the development of this area is to promote the readjustment of industrial structure and alleviate the situation that basic industries lag seriously behind. If we can further develop the energy and mineral resources of the Panxi-Liupanshui area, we can build production bases for electric power industry, coal, iron and steel, and high-performance phosphate fertilizer so as to ease the problems of electricity, coal, and steel product shortages and promote the readjustment of industrial structure. At the same time we can also combine the energy and raw material resources of the Panxi-Liupanshui area in the west with the powerful processing industry distributed along the Yangtze river in the east and in the southeast coastal area to gradually establish a production and development system from energy and raw materials to primary processing products, and then to multiple-processing products. This will increase the stamina of the Yangtze River industrial zone and the southeast coastal area in economic development and fulfill the principle of integrating the east with the west and supplementing each other with their advantages to achieve coordinated development and mutual prosperity.

#### General Goals and Short-term Start-up Projects

[CHING CHI TAO PAO] Could you give us a more concrete introduction to the contents of the "report on the Panxi-Liupanshui Development Program"?

[Zhou Changqing] Yes, I could. In June 1990 we submitted the "report on the program for the comprehensive development of natural resources in the Panxi-Liupanshui area." This report is the blueprint for the development of natural resources in the golden triangle of the southwest. It is drawn up in light of the reality

concerning the location of the Panxi-liupanshui area, the characteristics of resources, and existing foundation. In accordance with the state's industrial policy and demands, this report adopts a development strategy that "considers agriculture as the basis, gives priority to transportation, emphasizes strong points and comprehensive development, revitalizes southwest China, and renders service to entire China." The general goal of development is to emphasize the two advantages of hydraulic energy and mineral resources, vigorously strengthen agriculture and forestry, use 50 to 60 years of hard work to gradually build this area into a major energy and raw materials production base with a solid agricultural foundation and fine ecosystem, fundamentally change the appearance of this area in regard to traffic jam and economic and cultural gaps, and enable it to catch up with the average advanced level of the country.

The "program" will be carried out roughly in three stages: The first stage is short term, namely from 1991 to 2000. This is a start-up period. During this period we should mainly do a good job in the construction of backbone projects while strengthening infrastructure. The second stage is intermediate term, namely from 2001 to 2020. This is a period of major development. During this period, we should mainly carry out in a comprehensive way the construction of key projects and the coordinated and comprehensive development of completed projects to increase economic returns. The third stage is long term, namely from 2020 to 2050. This is a period of the improvement of all-round development. During this period, we should mainly make full use of the existing foundation, develop the range and quality of production, and achieve the goal of all-round development.

In the next 10 years we should proceed from the economic situation of the state and southwest China as a whole and strive, in accordance with the availability of financial and material resources, to erect the frame of the energy and raw materials production base. We should focus on and seize as starters those projects which can give an impetus to the development of the entire area and have external conditions and fairly good economic performance so as to promote all-round development in the future.

According to this trend of thought, transportation should go first. The key is to resume the construction of the section (364 km long) between Yibin and Liupanshui of the Neikun (Neijiang-Kunming) railroad. This is the axis line that runs across the center of the entire area. It is linked to Guikun and Chengkun railroads in the south and Chengyu line in the north, thus connecting the north and south sides of the square that is formed with railroads in this area and turning it into a transportation network to guarantee the transportation of outgoing major supplies such as coal and iron ore and the construction of new iron and steel base in this area.



In the development of hydraulic energy and coal resources, first of all we should concentrate on the construction of the Ertan power station in the Seventh Five-Year Plan. Located at the confluence of the Yalong and Jinsha rivers, it is the first giant power station designed to develop the hydraulic energy resources in the upper reaches of the Yangtze river. Its installed capacity is 3.3 million kw, 500,000 kw more than that of the Gezhouba station. Its annual electric energy output is 17 billion kwh. Both its installed capacity and annual electric energy output rank first in the country. Currently, the initial stage of the construction of the Ertan power station has been basically completed. It has passed the preparation stage and entered the actual construction stage. At the same time, we should carry out preliminary preparations for the Xiangjiaba and Xiluodu stair power stations which are located near Yibin on the tributaries of the Jinsha river. These are two super-sized power stations with an installed capacity of 15 million kw. After completion, they will become important electricity production bases that can "transfer electricity from west to east China." In the Eighth Five-Year Plan period, we should start preliminary preparations for the construction of the Shaotong brown coal power station in Yunnan and for the development of anthracite in Junlian of Sichuan, Bijie of Guizhou, and Fuyuan of Yunnan. In the Eighth Five-Year Plan period, we should expand in a planned manner the Liupanshui mine and build the panxian coking plant.

With regard to iron and steel and nonferrous metals, the Sichuan provincial government considered putting the second iron and steel base of the Panxi area in Yibin. This large-scale iron and steel base with an annual steel production capacity of 3 million tons is a key construction project for the building of the Panxi-Liupanshui area. After its completion, it is bound to bring about the rapid development of the economy in southwest China. We should use the superior mineral resources of Panxi such as copper, lead, and zinc to expand the Xichang nonferrous metal smelter and form 50,000-ton production capacity in the Eighth Five-Year Plan period. We should build the new Qujing Diandong aluminum plant, do a good job in its preliminary preparations in the Eighth Five-Year Plan period and form an annual production capacity of 100,000-ton electrolytic aluminum in the future.

#### **Fund-raising Is Urgent**

[CHING CHI TAO PAO] Where do we get the funds needed for this?

[Zhou Changqing] The serious fund shortage is a major problem for carrying out this program. Of course, these projects are all in line with the state industrial policy, so they will be supported by state finance. At the same time, local finance should also squeeze out some money to invest in this program. In addition, with regard to large-scale backbone enterprises in the area, we may implement a more flexible policy, carry out on a trial basis the snowballing method of "supporting electricity

with electricity" and "supporting steel with steel," and increase enterprises' ability to accumulate funds to carry out expansion and reconstruction. We may also use the method of "integrating coal and electricity businesses and having them assume sole responsibility for their own profits and losses to supplement coal with electricity and ensure electricity with coal" to accumulate funds for the development of electricity and coal resources. We will also raise funds from provinces outside southwest China, for the policy stipulates that whoever makes the investment will benefit. This is true for both the operation of power plants and the development of mines.

We need to especially point out that we encourage overseas entrepreneurs and financiers to come to the Panxi-Liupanshui area to support the development of natural resources with independent or joint investment. We will give preferential treatment to foreign investment in accordance with the "Law of the PRC on Chinese-Foreign Joint Ventures." We will give more preferential treatment to foreign investment in the construction of infrastructure such as energy, communications, and raw materials. Under the state's macroeconomic guidance, we will allow the export of part of the raw materials products and give preferential treatment with regard to the period of land use, rent, and taxes. In order to speed up the development and construction of this area, we also suggest that we reserve a piece of land in this area to establish, on a trial basis, China's first natural resource development zone. Under the prerequisite of changing existing administrative affiliation, we should adopt more preferential and flexible special policies in this zone. Concrete plans for this will be drawn up later.

#### **Gloomy Future Seen for Textile Industry**

HK1701045391 *Beijing CHINA DAILY in English*  
17 Jan 91 p 3

[By staff reporter]

[Text] China's textile industry expects a tough year ahead in cotton supplies although the cotton-purchasing situation has been enjoying a turn for the better.

Analysis released by the Ministry of Commerce yesterday said that about 3.8 million tonnes of cotton are expected to be purchased from Chinese farmers this year, 600,000 tonnes more than in 1990. The cotton output last year reached 4.25 million tonnes, 500,000 tonnes more than in 1989.

Meanwhile, the state planning commission has decided to arrange 4.5 million tonnes of cotton this year for the needs of the textile industry and for export.

Officials from the cotton bureau under the Ministry of Commerce said that as of last month, Chinese commercial departments had purchased 3.67 million tonnes of cotton from farmers, representing an increase of 520,000 tonnes over 1989.

The figure, however, was only 83.69 percent of the State-set annual purchasing quota of 4.39 million tonnes, which has never been fulfilled since 1984.

However, the provinces of Hubei, Hunan, Anhui, Henan and Xinjiang Uygur autonomous region meet the state quotas.

The officials attributed their favourable cotton situations to jumps of cotton purchasing prices, introduction of scientific and technological methods into cotton-planting.

### **Metallurgical Industry To Focus on Quality, Variety**

*HK0402075591 Beijing CHINA DAILY in English  
4 Feb 91 p 2*

[By staff reporter Ren Kan]

[Text] China's metallurgical industry is to concentrate on improving the quality and variety of its output while keeping a steady pace of development during the coming decade.

Qi Yuanjing, minister of Metallurgical Industry, said over the weekend that the country will give priority to producing 100 kinds of products which are vital for the economic development but have been in short supply for a long time.

These products include light and heavy rails, steel plates for ships, pipes, bearing steel and wheel tyres used for oil drilling, as well as products for power stations, automobile production, and light industry.

Of the 100 key products, the minister said, the annual output of 80 will basically meet domestic demands by 2000.

Although the country is the world's fourth largest steel producer, after the United States, Soviet Union and Japan, imports are still relied on for 58 of the 100 key products. The country spends large amounts of foreign currency on these imports.

While increasing the output of products in short supply, the industry will also work on product quality.

By the end of this century, he said, almost all key iron and steel corporations are expected to be producing at international standards.

The steel products made according to international standards that year are expected to account for 70 percent of the country's total output, compared with 45 percent last year.

He added that 20 million tons of steel products in 2000 are expected to reach the world advanced level.

China's metallurgical industry has set its target for the coming decade after five years of sustained growth. Total steel output in 2000 will hit 80 million tons, compared with 66 million tons.

Qi said the investment on the improved quality and variety during the coming five years will account for 50 percent of the industry's total investment.

The industry will set up some new rolling mills and smelting equipment to increase the production capacity of products in short supply.

Qi said his ministry will concentrate on construction of a large scale converter at the Wuhan Iron and Steel Corporation in Hubei Province.

He said the industry will also set up some hot-continuous and cold continuous-rolling mills at the Anshan Iron and Steel Corporation in Liaoning Province and Baoshan Iron and Steel Corporation in Shanghai.

Meanwhile the industry is planning to renovate 220 production lines to improve product quality.

During the Seventh Five-Year Plan (1986-90), The industry has completed the renovation of 462 production lines in its major iron and steel corporations according to international standards.

Qi said the industry will seek to improve the equipment level in some large iron and steel corporations.

By 2000, 60 percent of the machines in the country's key iron and steel producers are expected to reach the national or international advanced level.

### **Garment Production Ranks First in World**

*OW2002083491 Beijing XINHUA in English  
0724 GMT 20 Feb 91*

[Text] Beijing, February 20 (XINHUA)—With an annual production of three billion garments, China ranks first in the world in garment production, according to today's PEOPLE'S DAILY.

Statistics reveal that the production output from township enterprises accounts for 70 percent of this figure, the paper reported. Garment production in the township enterprises has developed rapidly during the Seventh Five-Year Plan period (1986-1990).

The total value of garments produced by these enterprises reached 20 billion yuan in 1990, up from 5.3 billion yuan in 1985. The 1990 figure accounts for half of the country's gross output and the export volume of these enterprises accounts for two-third of the country's total garment exports.

At present, China has more than 20,000 township garment factories which employ 1.4 million workers.

## SMALL-SCALE ENTERPRISES

### Zhejiang 'Spark Plan' Projects Reported Thriving

#### Advance Rural Economic Development

91CE0213A Hangzhou ZHEJIANG RIBAO in Chinese  
27 Nov 90 p 1

[Article by staff reporters Chen Xiaowei (7115 2556 5633) and Cai Jingfu (5591 2529 1381): "Zhejiang's 'Spark Plan' Develops From 'Short, Low, and Quick' to 'High, Group, and Outward'; Of Zhejiang's Over 1,400 'Spark Plan' Projects, New Scientific Results and Technologies Account for 52.4 Percent, Projects Designed To Earn and Save Foreign Exchange Account for 25 Percent, and 40 Projects Form Industrial Groups"]

[Text] The development of Zhejiang's "Spark Plan" has gathered new momentum. An official of the provincial scientific and technological (S&T) commission summed up this momentum as a development from "short, low, and quick" [short-term investment, low cost, and quick economic results] to "high, group, and outward" [hi-tech, group-oriented, and export-oriented].

According to data provided by the National Fifth Spark Plan Work Conference which was held on 27 November in Shaoxing (for the southern region), of Zhejiang's 1,400 plus "Spark Plan" projects, 80 percent have scientific research units providing technological support, 52.4 percent are new scientific research results and technologies imported from neighboring provinces, and about 25 percent are designed to earn and save foreign exchange, while 247 projects have already exported their products or results to the international market. Of 498 provincial and state "Spark Plan" projects, 95 have reached or will reach in the next one or two years the ability to increase annual output value by over 10 million yuan and tax and profit delivery over 1 million yuan, and 40 have formed or are forming "Spark Plan" industrial groups.

The new momentum of Zhejiang's "Spark Plan"—the development toward "high, group, and outward"—has revitalized township enterprises. In some small unknown plants in Shangyu, one can find advanced world-class products such as high-efficiency, low-noise, mixed-flow ventilators, food and liquid quick-freeze devices, super low-noise cooling towers, and high-efficiency water treatment equipment. Since it took over two state-level Spark Plan projects, the Shangyu Ventilator plant has developed 11 series and over 300 different varieties of custom-made ventilators and air-cooling equipment. Among them, six series have filled domestic gaps, and products have been sold not only throughout China but also to 14 countries and regions including Thailand, Korea, Japan, and Australia. In October this plant won the highest award of quality control in China—the State Quality Control Award—and brought special honor to 10 million township enterprises in China. The Shangyu Lianfeng Glass Fiber Plant has developed three new varieties—super low-noise,

large-sized, and wide temperature-range—and seven series of cooling towers. Recently it won the Gold Quality Award—the only one so far among township enterprises across the country. While carrying out the "Spark Plan," the Wenzhou Ruian Yongjiu Machine-building and Electronic Plant, the Pingyang Laser Instrument Plant, and the Wenzhou City Lianchi Electrical Appliances Plant developed a multi-purpose electromagnetic valve, a helium neon laser acupuncture instrument, and a magnetic water device that won gold awards and "knight medals" at the Eureka World Invention Exposition in Brussels.

As Spark products continue to develop and spark technologies continue to spread, "Spark" groups and concentrated areas of spark products, technologies, and enterprises have emerged. Currently Zhejiang has organized 10 Spark Plan technology industrial development groups and five spark technology-intensive districts. The Shaoxing Keqiao textile "Spark Technology"-intensive district has developed over 100 new varieties of textile products. Many enterprises which could only play "disco" in the past now have the ability to "provide samples in one day, start mass production in five days, and enter the market in seven days."

The gradual development of the "Spark Plan" to "high, group, and outward" has effectively promoted the undertaking of complete S&T services for agriculture. The Yuhang County S&T Commission and the Hangzhou City S&T Development Company initially took on a spark plan training project on a new poultry fast-breeding technology. But spreading the new technology of scale management must have a "complete system" of supplementary services including young chicken, fodder, medicine, poultry product processing, and marketing services. Consequently, the "training base" rapidly developed into a new specialized S&T economic entity. Hence the birth of the complete service and cooperation association of fast-breeding meat poultry. Currently 12 enterprises and units and 294 specialized economic households, including breeding chicken farms, meat chicken farms, fodder companies, animal medicine companies, veterinarians, poultry product processing plants, meat chicken research institutes, and farms have joined the association. They render service to the entire province in regard to new technology, information, and products. After the Qingyuan County's edible fungus complete service cooperation association carried out the state "Spark Plan"—mushroom alternative cultivation—Qingyuan County became the first county in China whose output exceeded 1,000 tons. The percentage of mushroom output value in the county's total agricultural output value increased to over 30 percent, and mushroom became a dominant industry.

#### Commentator Notes Progress

91CE0213B Hangzhou ZHEJIANG RIBAO in Chinese  
27 Nov 90 p 1

[Commentator's article: "Push the 'Spark Plan' to New Level"]

[Text] The "Spark Plan" which started five years ago in Zhejiang Province from "short, low, and quick" has yielded outstanding results and taken promising steps in the direction of "high, group, and outward." The implementation of this plan has given an effective impetus to the technological progress of agriculture and township enterprises and accelerated the development of rural economy in Zhejiang Province.

Implementing the "Spark Plan" in rural areas is required by the development of rural economy. It is a product of the reform of the S&T system. Rural economic development involves a multitude of tasks. It relies on the attention of leaders at all levels and the support of all departments as well as on the increase of input and the hard work of the broad masses of peasants. However, of all these factors, the utilization of S&T results and the application of scientific management methods can make other work achieve twice the result with half the effort. The power of the "Spark Plan" comes from the fact that it is aimed to popularize useful technologies in vast rural areas and that it can effectively channel S&T results, personnel, and information into rural areas, improve the quality of rural labor, and encourage township enterprises to switch from extensive to intensive development. As a primary productive force, the "Spark Plan" is playing a decisive role in rural economic development.

The "Spark Plan" started from "short, low, and quick" in light of past actual conditions. It suited the technological, equipment, and management level of rural areas at the time. Now after five years of development, drastic changes have occurred in the rural situation. New demands have been set forth for implementation of the "Spark Plan." First of all, judged from the main battlefield of economic construction, the campaign to enliven agriculture with science and technology has developed in an all-round way, and agricultural and grain production needs to scale new heights, thus setting higher demands on science and technology. Judged from township enterprises, many enterprises have advanced equipment and stronger technological contingents. They can develop high-grade, fine-quality, and competitive products. They no longer demand "short, low, and quick" projects. Instead, they long for a higher level of technology. Under this situation, we must guide the "Spark Plan" projects to develop from "short, low, and quick" to "high, group, and outward." Namely, we should increase the content and raise the level of technology; develop "Spark" groups and form colonies and orient the products and technology of Spark Plan projects to both domestic and foreign markets. Pushing the "Spark Plan" to a new level in both quality and range is required by the rectification and improvement campaign, the deepening of rural economic structural reform, and the development of rural commodity economy and foreign trade.

Of course, "high, group, and outward" and "short, low, and quick" are comparative terms. The latter is the basis of the former, and the former is the continuation and development of the latter. The two are complementary.

Due to the imbalance of economic and S&T development in different areas, we must proceed from reality, provide classified guidance appropriate to local conditions, and make careful arrangements to ensure organic integration and harmonious development while vigorously guiding the "Spark Plan" to develop in the direction of "high, group, and outward."

#### **Report on Shanxi Township Enterprise Growth**

91CE0228A Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 5 Dec 90 p 1

[Article by Shi Chanrong (4258 4961 2837): "Overall Quality of Shanxi Township Enterprises Improves Notably"]

[Text] Starting by strengthening their own quality, township enterprises in Shanxi have scored achievements in improvement and rectification, enhancing enterprise management, and actively readjusting the industrial and product structures. From January to October, their gross value of output was 15.262 billion yuan, an increase of 12.96 percent over the same period last year. Their gross income was 14.345 billion yuan, an increase of 15.51 percent.

Faced with such difficulties as a sluggish market and state cut-backs in the scale of capital construction, Shanxi's township enterprises first grasped the opportunity to improve and rectify themselves. They adhered to the principle of encouraging more enterprise mergers and restructurings, and reducing closures and temporary shut-downs. Based on investigation and analysis, they have shut down or closed an enterprise group engaged in primary coking production and small enterprises in the soda ash and chemical industries. In accordance with the order of product urgency, Taiyuan has rectified township enterprises by stages and in groups. According to local conditions, they have stressed the development of 240 marketable products in 12 categories, such as pig iron, coal scrubbing, and edible vinegars. They have compressed and restricted the development of unmarketable products, eliminating 13 products made by indigenous methods, such as coal coking, oil refining and cement making. They have strictly prohibited the development of nine products like small-scale electroplating and poor quality liquors. Altogether, 197 township enterprises have been merged, restructured, closed, or temporarily shut down because they competed with large industries for raw materials, consumed large amounts of energy, their assets did not equal their loans, they had serious losses, or their products were unsalable. This greatly increased the sustained and stable support for township enterprises. By the end of October, after more than a year of rectification, the province's indigenous coking production had decreased by 25 percent compared with the same period the previous year, while the output of ferrosilicon and industrial silicon, which consumed great amounts of energy, had declined by 42 percent. There

have been noticeable improvements in tackling energy and raw material waste and serious environmental pollution.

In enhancing enterprise management, the stress is on rectifying accounting management. Examination and approval of profit distribution is conducted in enterprises at the village and township levels. Already 6,082 enterprises in 80 counties and districts have implemented this work. Through examination and approval, they have effectively controlled enterprises' short-term behavior; resisted the phenomena of random apportionment, charges, and fines; corrected unhealthy tendencies in business management; and accumulated 279 million yuan for the enterprises.

On this basis, Shanxi Province has lost no time in guiding enterprises into an orbit that emphasizes internal rather than external development, economic results instead of increased output values, and intensive rather than extensive management. Focusing on these transformations, they conducted "Enterprise Management Year" activities on a wide and intensive scale. Seven basic management jobs, such as standardized management, quota management, and calculation management, were highly emphasized. They did a good job in creating and appraising good enterprises and in raising enterprise levels. The overall quality of enterprises improved. Both the number of enterprises and the number of employees have fallen compared with last year, however, economic results and the rate of growth have both increased. According to preliminary statistics, over 50 percent of seven basic management items at the village and township levels are up to standard quality. More than 95 percent of enterprises are operating according to standard production. Labor productivity has increased by 2 percent over the same period last year. Achieved profits and taxes will increase 7 percent. This year, there are 30 products that have passed the preliminary examinations for excellent-quality products at the state, ministerial, and provincial levels. There are 27 enterprises that have entered the rank of advanced enterprises in the province's or the ministry's systems.

During improvement and rectification, Shanxi has actively readjusted its industrial and product structures. Energy and raw material products are in tight supply in the national economy. However, they are the superior products of Shanxi's township enterprises. Townships, banks, and departments in charge of materials coordinate closely among themselves, and they have provided enterprises with circulating funds worth 500 million yuan. They have also increased the distribution quotas for supplies of electricity and raw materials in order to promote enterprises' production. By the end of September, the output value of industrial enterprises had increased by 19.4 percent over the same period last year. The output values in the building materials, transportation, commercial, and catering and service sectors increased by 23.7 percent, 37.7 percent, 32.7 percent and 27.8 percent respectively. The structure that used to stress the rapid growth of heavy industry and the slow

growth of light industry has changed. Light industry's growth rate is 3 percent higher than that of heavy industry. The ratio between light and heavy industries, which was 16.6:83.4 in the same period last year, has changed to 16.9:83.1 this year. While readjusting the product structure, Shanxi Province has put 23 percent of funds into technological transformation projects that provide quick returns and can enter the production force soon. By the end of October, over 200 technological transformation projects had been completed, increasing the output value by an additional 210 million yuan.

### Report on Guizhou's Township Enterprise Development

91CE0228B Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 14 Dec 90 p 1

[Article by Tian Yixiang (3944 5030 4382): "The Vigorous Development of Guizhou's Township Enterprises"]

[Text] Because of local conditions, a new path for developing township enterprises in poor and mountainous areas has been explored. Its characteristics are a main body of labor-intensive enterprises run by single or joint households, and a strong emphasis on key villages and products.

Historically, Guizhou Province has been called "the state of Yelang," where "the weather is grey, the land is not level, and the people are poor." It relies on the wisdom and strength of the vast numbers of its people and masses. Its area is 80 percent mountains, 10 percent water, and only 10 percent fields, and its economic and cultural development is quite poor. Because of its local conditions, Guizhou has taken a new path in developing township enterprises in poor and mountainous areas.

According to statistics, in 1989 the gross output value of Guizhou's township enterprises was 3.97 billion yuan, a 10.9-fold increase over 1979's output value of 350 million yuan. This was equal to 59.7 percent of the total value of agricultural output. From January to September of this year, the cumulative total output value of all of Guizhou's township enterprises was 2.96 billion yuan, an increase of 10 percent over the same period last year. The status and role of township enterprises in the province's whole economy and society have become more important. Guizhou's township enterprises have successively won prizes for their products. The province's township enterprises have five products that won an excellent-quality rating at the ministerial level, 18 that won the rating at the provincial level, and 24 that won prizes in the province's assessment of industrial products.

Guizhou Province has bravely expanded and developed township enterprises and has accumulated precious experiences. Party committees and governments at all levels in Guizhou adopted a series of specific policies and regulations to break up the confines in ideology, open the municipality's door, and greatly develop township enterprises. Led by party and government leaders at

all provincial, prefecture, and county levels, the people in charge of various departments visited and inspected other provinces, municipalities, and autonomous regions where township enterprises are well-developed. They organized all sectors and departments to help develop township enterprises and solve the actual problems township enterprises face. The party committee and the administration of the Zunyi Prefecture has made the development of township enterprises an indicator for judging the performance of party and government leaders at the prefecture, county, district, and township levels. Under tight financial conditions, the prefecture still has spent 5 million yuan annually since 1986 to help develop fledgling industries. In 1988, they decided turn financial revolving funds paid in by township enterprises back over to the enterprises to supplement circulating funds.

The mountainous areas in Guizhou are characterized by scattered inhabitants and by high mountains with steep roads, which make transport inconvenient. While building key enterprises, Guizhou has actively encouraged small projects run by single or joint peasant households. These small projects require little investment, but have quick returns. Last year, 337,000 of the 469,000 enterprises in Guizhou, or 71.85 percent of all enterprises, were run by joint households or by individuals. Qianxinanzhou is located in southwestern Guizhou Province; it is a poor and out-of-the-way place inhabited by minorities. While developing township enterprises, Qianxinanzhou has stayed with developing projects run by single or joint households. These projects are labor-intensive, producing agricultural and sideline products and processing mineral products. They mainly provide services for agricultural production and for people's lives. Two key points have been stressed: key villages and towns, and producing key products. Township enterprises have developed rapidly. A group of specialized households and villages has emerged that process bajiao bananas and taro and produce building materials. It has spurred on the development of other businesses. Xinchang Village in Shanxiang Township, Xinyi City, has 330 households. The village has developed primarily agricultural and sideline product processing businesses and relied on single or joint households to run the enterprises, and it has become the "leader" in specializing in processing bajiao banana and taro noodles. It has invested a labor force of more than 300 people, or 63 percent of the village's total labor force, in the business. In 1989, they generated an output value of 5.1 million yuan, accounting for over 70 percent of the village's gross value of industrial and agricultural output. They paid more than 200,000 yuan in taxes to the state. The Liuzhi Special District established 11,413 township enterprises last year. Of these, only 127 were backbone enterprises. The remaining 11,286 enterprises were scattered all over the district like flowers on a mountain. Last year the gross output value of the district's township enterprises was 72,995,200 yuan, or 55.27 percent of the district's gross value of industrial and agricultural output.

Another reason that Guizhou's township enterprises are full of vitality is because Guizhou is adept at learning from other provinces' experiences with reform and opening up. It formulates a set of valid operating mechanisms, such as the business mechanism using market adjustments, the risk mechanism where one assumes responsibility for profits and losses, and the distribution mechanism where one carries out the principle of "the more you work, the more you earn." Of the more than 5,600 township enterprises and more than 3,100 village enterprises, over 95 percent have implemented the business contract responsibility system and the system of responsibility for each area within a factory.

In recent years, in order to attract funds, technology, and talented personnel, township enterprises in various parts of Guizhou have actively developed economic and technological cooperation with large and medium-sized state-owned enterprises, universities and colleges, and with scientific research institutions, both inside and outside the province. Between 1986 and 1989, the fixed capital investment of township enterprises equalled 610 million yuan; imported funds accounted for more than 200 million yuan of this figure. More than 10,000 technicians in various fields went to the countryside to help township enterprises by completely running operations, guiding operations, or jointly running operations. By the end of last year, Guizhou had already attracted nearly 100 million yuan, or 30 percent of the city's total investments. The city also brought in over 150 projects and more than 2,500 technicians and managerial personnel in all fields. Last year, Anshun Prefecture constructed or expanded 20 key enterprises. Of these, 11 belonged to joint ventures. The partners' investment was 24 million yuan, or 44.8 percent of the total investment.

## FOREIGN TRADE, INVESTMENT

### Sino-U.S. Economic Relations To Expand in 1990's

91CE0246A Shanghai JIEFANG RIBAO in Chinese  
14 Dec 90 p 7

[Article by Wu Dakun (0702 1129 3824), Zhang Xing (4545 2505): "Sino-U.S. Economic Relations in the 1990's"]

[Text] Since the normalization of economic relations between China and the United States in 1972, there has been substantial progress between the two countries in the areas of trade, investment, and technology transfers. Particularly since January 1979, when China and United States established diplomatic relations, and since March of the same year, when the two sides signed a trade agreement, bilateral trade has boomed; its pace of development has been a lot faster than that of world trade. The development of Sino-U.S. economic relations has also been manifested in the extensive exchange of and cooperation over economic technology. Various official

and non-governmental economic exchange and cooperative organizations have enhanced deeper understandings between China and the United States, and have strengthened cooperation. The scope of economic and technological cooperation has expanded.

However, because of differences between the two countries' political systems, the development of economic relations has often carried with it quite a few ideological implications. As a result, there are bound to be all sorts of reversals, and even some retrogression. But, with the improvement and relaxation of the international political situation, the political and military colorings of international relations, as well as their ideological tints, have gradually worn thin. On the other hand, the function and position of economics has been constantly strengthened and upgraded, pushing the focus of international relations towards the track of economic development. Therefore, from the viewpoint of development, neither China nor the United States will put aside its own economic development to linger on past differences in viewpoints.

In the upcoming 1990's, economic relations between China and the United States will develop even further. There are three reasons for this assertion.

To begin with, in the 1990's, the structure of economic regional groups worldwide will provide more opportunities for developing Sino-U.S. economic relations. Economic regional groups were a notable characteristic of global economic development in the 1980's, and they will continue to be useful in promoting economic development in the 1990's. The global economy will be centered around the three regional economic groups in North America, Europe, and Asia and the Pacific region. This basic form will take shape in the 1990's. On the one hand, economic regionalization may help the increase the global economy and the total amount of world trade by developing the economy and trade within each region. On the other hand, economic regionalization may also strengthen trade protectionism, which would hinder economic development. It is precisely under such circumstances that the United States, a North American country busily engaged in efforts to establish a North American free trade zone, has repeatedly emphasized its position as a Pacific nation, too, and has taken part in all kinds of economic activities in the Pacific area. This way, through the objective link of economic regionalization, China and the United States, the two large countries in the Pacific area, have more opportunities to develop bilateral economic relations.

In addition, new U.S. strategies in Asia and the Pacific region and China's reform and opening up policies provide policy protection for the economic development of both countries. The regionalization of the global economy plays a dual function in the internal economic development of each region. On the one hand, it is beneficial to economic development within a region, greatly strengthening the close ties and mutually complementary needs that already exist among a region's

nations. On the other hand, it also makes economic competition the dominant mechanism in determining and directing interdependence and coexistence. This function applies particularly to those countries in a region that are at similar levels of economic development. The occurrence of economic regionalization is largely related to the decline of the United States and the rise of Western Europe and Japan. The United States will in no way resign itself to a constant decline in its position. Its participation in the Asia and Pacific region's group shows an obvious strategic intention, which is to strengthen U.S. economic links with Asia and the Pacific region, and consolidate and expand its economic interests in the region in order to directly compete with and confront Japan economically and eventually restore U.S. economic superiority in Asian and Pacific region. For such a purpose, the United States has to make great efforts to develop bilateral investment and trade relations within the region, using investment to promote trade. With the combination of U.S. advanced technology and capital, and skilled and inexpensive labor in Asia and the Pacific region, competitive products that can occupy markets in Asia, the Pacific region, and other areas may be produced.

China is the large country in Asia and the Pacific region, yet at the same time it is a developing country. After 10 years of reform and opening up, economic life in China has already taken a historic turn. China's foreign trade activities are becoming more lively every day, and the interrelationship between the domestic and international markets is growing tighter. China's economic strength has increased greatly. Unquestionably, China's position in the Asian and Pacific region's economy and in the global economy will be further strengthened as it deepens its reform and opening up and as its economy constantly develops. By the end of the 1990's, the position of China's GNP relative to the total global GNP will have risen to the fifth or sixth position from its present position, which is eighth. A prosperous Chinese economy is bound to increase the pace of the eastward shift of the global economic center, reinforce the mutually complementary relationship among nations in the region, and transform China's "potential market" into a real market. This will make substantive progress in the economic cooperation in Asia and the Pacific region possible.

Therefore, both the United States and China have strong desires to strengthen economic development and cooperation in Asia and the Pacific region. Because of these common grounds, the implementation of strategies and policies of both sides will provide greater possibilities for developing economic relations between China and the United States.

Finally, theoretically speaking, any two countries engaged in economic contact can gain relative benefits from the international division of labor. China and the United States are on different levels regarding the division of labor in Asia and the Pacific region. This makes it possible for the two countries to develop economic



relations that are mutual beneficial and complementary. Apart from supplementing one's weakness with another's strength, complementing each other, and mutually promoting each other through the division of labor in the areas of trade, capital, technology, natural resources and production, because of the special characteristics of China and the United States, their bilateral relationship can link the division of industrial labor with other special characteristics absent in other countries. The two countries may obtain additional economic benefits through their trade relations. For instance, regarding market issues, the two countries have special superiority. Both China and the United States are world powers, with vast areas and large populations, conditions under which large domestic markets can survive. For China, the U.S. market is most attractive. U.S. imports account for nearly 20 percent of the world's total volume of imports, and about 40 percent of U.S. imports come from developing countries. Such a huge and attractive market should undoubtedly serve as China's road leading to the world. In comparison, China's market presents an even greater attraction to the United States. Presently China's import capability is restricted, and its export capability still is not large. However, once the potential of a market with the population of 1.1 billion people develops, it will be of tremendous significance to the global economy. The mutual market attraction between China and the United States cannot be imitated among other countries in Asia and the Pacific region. Market attraction is an important foundation and driving force determining the development of mutually beneficial economic relations between two countries.

Therefore, whether we base our analysis on the global economic environment or on the actual conditions in China and the United States, the coming 10 years will be favorable for the continued and further development of Sino-U.S. economic relations, which will also contribute to global economic development.

### **Emerging Foreign Development of Fujian Land Tracts**

91CE0225A Fuzhou FUJIAN RIBAO in Chinese  
4 Dec 90 p 1

[By correspondents Xu Shangfu (6079 0006 4395) and Wang Bowei (3769 0130 0251): "Using Foreign Capital To 'Build the Nest,' Inviting Foreign Businessmen to 'Lure the Birds To Roost and Rest'—Fledgeling Stage in the Development of Tracts of Land in Fujian Province by Foreign Businessmen"]

[Text] As we enter the 1990's, development of tracts of land in Fujian Province is gaining initial momentum. Foreign businessmen are showing an ever increasing willingness to invest in the development of tracts of land. It shows that Fujian Province is now entering a new phase of utilizing foreign capital.

At the September investment and trade talks with foreign businessmen at Xiamen, the city of Quanzhou

signed agreements with Huang Jiazhong [7806 0502 4429] of Singapore and Lu Zhenwan [0712 2182 8001] of Hong Kong for the development of two tracts of land, Anping and Panlong, into comprehensive industrial zones. These two development zones cover an area of 1,800 and 1,500 mu of land, respectively. It is planned to invest \$30 million and HK \$200 million of foreign capital. The foreign parties will be responsible for the construction of such infrastructure items as harbor facilities, water supply, communications, etc., and for introducing industrial projects. They will also build houses, shops, schools, hospitals, parks and other such subsidiary facilities. At present, both these projects are in the process of being approved and to be implemented.

The development of tracts of land in this province has thus undergone a transition from "building nests to attract birds" and "having attracted birds that build nests" to the next stage of getting "birds with nests."

In the early period of opening up, Fujian established industrial zones and economic and technological development zones at Huli in Xiamen and at Mawei in Fuzhou, and had the government provide the five components of infrastructure and do the ground leveling, in order to create a good investment climate that would attract foreign businessmen, thus accomplishing something like "building nests to attract birds." This method was absolutely necessary at the initial stage in our efforts to attract foreign capital. Later, with the expansion of opening up and the increase in foreign-invested enterprises, the infrastructure proved insufficient, but because of financial stringency and other reasons government would not pour in funds, as it had done in the early years of opening up, and finally the new method of calling on foreign businessmen to invest in the infrastructure, i.e. to "build the nests," and bring in more foreign exchange, had come into being.

At the end of 1987, Fujian Province became test area for land leasing and began to convey use rights for government land against payments, which evoked strong interest among foreign businessmen, to come to invest in Fujian real estate. It also encouraged some foreign businessmen to start projects which involved the development of plots of land. Wu Qingxing 0702 1987 2502, a Hong Kong businessman, who had been allotted land by the government, set up a project involving land development, investing over 100 million yuan. Within a 4 square km plot of land in the Majia, Luoxi, and Heshi area in the suburbs of Quanzhou, he set up the Yangen series of engineering projects, a comprehensive development that comprises manufacture, education, and scientific research. A Mr Lin, together with some other foreign businessmen, invested in the development of a small zone for overseas Chinese industries at Qinghong Road in Fuzhou, on the principle that occupants would themselves set up their own projects, provide their own capital, seek their own markets, do their own managing, hire their own personnel, and improve themselves whatever subsidiary installations are needed. Up to now, somewhat over 10 enterprises of the "foreign-invested"



type have started operations there, making this an important extension of the economic and technological development zone of Fuzhou.

With the advent of the 1990's, Fujian Province has accelerated the pace of its reform and opening-up. In May of this year, on promulgation by the State Council of "Provisional Measures for the Control of Investment and Development Operations on Plots of Land by Foreign Businessmen," the "Anping" and "Panlong" projects of developing plots of land were quickly carried out. At the comprehensive reform and opening-up test zone of Shishi City, the Hong Kong-based Dehui group has decided to invest HK \$200 million. They will start a comprehensive development of the Zengkeng small zone, which covers 331 mu of land. This will mainly be used for common factory buildings and supplementary installations as needed for production and general services, so as to create an exemplary small zone of mainly light industries, nonpolluting industries, and industries manufacturing export products. The association of fellow townsmen of Rongqing residing in the Philippines has raised 100 million Philippine pesos with the intention of developing 270 mu of land at Shishi as a "pocket-size industrial city." At the Mawei economic and technological development zone, which was originally developed with state funds, foundations have begun to be laid for the Taian and Fantaipingyang industrial parks, where foreign businessmen have recently contracted for plots of land for development, undertaking responsibility to introduce projects. Here, the foreign businessmen will themselves "build the nests" and will themselves "attract the birds." This is symbolic for a new type of developing high-tech industries.

Having foreign businessmen invest in the development of plots of land is a higher form of attracting foreign capital, and has also proven to be "profits of a late-development nature" in developing countries. It is a way of accelerating economic growth which, however, also entails the characteristics of large investments over long periods of time and at large risks. We have not yet had sufficient experiences how to administer these investments. Relevant legal provisions and enforcement regulations are also still far from satisfactory. At present, the provincial government and its trade, land, planning, and other relevant departments are engaged in formulating plans, approval procedures, relevant regulations, and coordinating measures concerning tracts of land to be turned into development zones, to facilitate a steady and sound progress in the work of developing tracts of land.

#### Expanding Sino-British Investment, Trade

91CE0225B Beijing GUOJI SHANGBAO in Chinese  
1 Dec 90 p 1

[By correspondents Zheng Zhihai (6774 1807 3189) and Li Bida (2621 3968 6671): "More Potential for Expansion Exists in Sino-British Trade Relations—Continued Expansion of the Scope of Two-Way Investments"]

[Text] In recent years, Sino-British economic cooperation and trade relations have been developing smoothly. Particularly this year, there has been a large increase in trade and a continuous expansion of the scope of two-way investments. There is, furthermore, much potential left to be tapped, said Zhuang Yulin [8369 3768 7792], commercial counselor with the rank of minister at the Chinese embassy in Great Britain.

We were informed by Zhuang Yulin that last year Sino-British bilateral trade reached \$1.719 billion, an increase of 10.36 percent over the preceding year. Further increases have occurred during January to September of this year, the total volume having reached \$1.486 billion. Although China's exports in this figure show a slight decline, they were \$424 million, imports steeply rose to \$1.062 billion, or by 33.35 percent; it is therefore estimated that this year's total trade will reach \$2 billion.

However, Sino-British trade accounts for only 1.5 percent in China's total foreign trade, and it is an even smaller proportion in British foreign trade, namely only 0.14 percent. It is far below the levels of Sino-French and Sino-Italian trade and inconsistent with the economic developments in our two countries, therefore indicative of a large potential that still exists in Sino-British trade, which awaits more intensive development.

Looking at Chinese exports to Britain, we see, according to Zhuang Yulin, that the main problem on the Chinese side is that our export mix is outdated, that delivery dates are uncertain, that in some lines product quality has deteriorated, and that trade is conducted in a disorderly manner. This is true especially in the case of textiles; because yarn and cloth quality had deteriorated, last year only 61.6 percent of the quota was used, and over one-third was left unused. If the whole quota were used, another \$100 million could have been exported. If quality could have been further improved, the value of exports would have risen even higher. As to the orderliness of trade, he said most fervently, that it is due to the fact that trade is being handled by too many Chinese agencies, resulting in a lack of coordination and control. When almost all prices for nonferrous metals rose at the London metals exchange, only prices for tungsten, antimony, and tin declined; i.e., prices for items for which China is the main supplier country. In the case of tungsten ore and tungsten products the European Community imposed an "antidumping duty," which had prices tumble to the lowest level. These problems must attract our utmost attention and should be earnestly resolved.

Two-way investments is a major area for Sino-British economic cooperation. Zhuang Yulin said Great Britain's direct overseas investments in 1988 amounted to 20.7 billion pounds sterling and in 1989 to 19.1 billion pounds sterling. During the entire decade of the 1980's, China absorbed around 500 million pounds sterling of British direct investments, which included the South China sea oil exploration and 83 Sino-British joint

ventures. This year contracts for two more large projects were signed, involving somewhat over 100 million pounds sterling of British investments. If Britain could adopt a more active attitude, it could further extend its investments in China.

Chinese investments in Great Britain have a history of more than 10 years. Out of 24 relevant enterprises, two are Sino-British joint ventures, and the rest are enterprises solely financed by China. At present, most of these enterprises are successful operations, but developments are unequal, and at some places the economic results of enterprises are unsatisfactory. He believes that successful operation of overseas enterprises must, on the one hand, observe the laws of the land where they are located, but also carry out China's relevant policies, also operate according to international customs and conduct business in a flexible manner. There are four "stands" that must be firmly adhered to: a firm stand in exports, with an integration of imports and exports; a firm stand in Britain, with attention directed toward Western Europe; a firm stand in trade, with diversification in operations; a firm stand in the local area, but with service extending to the whole country. We must gain a firm grasp of major commodities, must render good service and develop ties by economic means. We must stop buying domestically and operate as true importers and wholesalers, not merely act as agents. We must enhance management of overseas enterprises, institute strict rules and regulations, strengthen contacts between the various operating points. At the same time, it is necessary that the mother companies in China give good support to their overseas enterprise in respect of qualified personnel and in the supply of commodities and funds.

Finally, Zhuang Yulin said Great Britain's economic situation this year is not very good, but Britain has superior capabilities in the fields of communications, transportation, and energy source technologies, and has a broad trade network in the Middle East, West Africa, and in Europe. As the time of the large European market, which is to be inaugurated in 1992, is approaching, it is hoped that all circles in China will give serious attention to this market so as to continuously expand the scope of Sino-British economic cooperation and the scope of Sino-British trade.

#### **Shanghai's Machinery, Electronics Exports in 1990's**

91CE0238B Shanghai JIEFANG RIBAO in Chinese  
12 Dec 90 p 2

[Article by Jiang Xinhe (5592 1800 0735): "Machinery and Electronics Exports Will See Great Growth in Coming 10 Years"]

[Text] During the Eighth and Ninth Five-Year Plans, China's machinery and electronics exports will see great growth. In 1995, the nation's machinery and electronics exports will reach \$20 billion, an increase of 100 percent

over 1990, and in the year 2000 they will surpass \$30 billion. This was revealed by Ni Yijin, deputy director of the State Council's Machinery Export Office, at Shanghai's Eighth Five-Year Plan Machinery and Electronics Export Plan Symposium held a few days ago at Jiading.

During the Seventh Five-Year Plan, China adopted a series of measures to encourage and give preferential treatment to machinery and electronics exports, and achieved great results. In 1986, nationwide exports of machinery and electronics were \$1.68 billion; last year they rose to \$8.31 billion, and this year they will surpass \$10 billion, an increase of nearly 500 percent in four years. During this period, Shanghai's machinery and electronics exports will have risen from \$420 million in 1985 to \$940 million this year, an average annual rate of increase of 17.8 percent. As an export base for machinery and electronics, Shanghai has now become second only to Guangdong.

Despite the rather rapid growth of China's machinery and electronics exports in the last few years, there are still rather large disparities and problems when compared with those of developed countries. First, the amount exported is very small. In 1989, China's exports accounted for less than 7 percent of the world's trade in machinery and electronics, which was worth \$1.2 trillion. Presently there are a total of 16 nations and territories whose annual exports exceed \$30 billion: South Korea ranked 11th last year, with exports of \$35 billion, and Taiwan ranked 13th with \$33 billion. However, China's exports will not exceed \$30 billion by the end of this century. Second, there are not many products that suit the market. The machinery and electronics products that China presently exports are mainly material- and labor-intensive, and the majority are low-value, low-grade products. Third, the export market is limited. The market is principally in nearby foreign markets, such as Hong Kong, Macao, and Southeast Asia. In 1989, China sold \$5.1 billion of its machinery and electronics exports to Hong Kong, and the selling price was 10 percent lower than if the products had been sold to distant foreign markets. Fourth, enterprises' groundwork is weak, their products are lacking in quality and after-sales service and do not have good reputations. Fifth, the export situation is confused, enterprises compete for sales by cutting prices, and profits are drawn off. This situation results in a 10-15 percent loss in export volume each year, which is intolerable.

At the same time, machinery and electronics occupy an increasingly important place in the international market, and their share of total world trade grows ever larger. In the 1950's they accounted for one-fifth of world trade. In the 1980's this figure rose to more than one-third. Now developed nations have virtually completely carved up the global machinery and electronics market and there is almost no room.

Faced with powerful international adversaries and market competition, Ni Yijin proposed a general line of thinking for Chinese machinery and electronics exports

during the Eighth Five-Year Plan. China should continue to conscientiously implement the spirit of the decision of the Fifth Plenum of the 13th CPC Central Committee on "developing machinery and electronics exports." While establishing basic standards, China should pay attention to quality, raise the grade, establish a reputation, and seek results; by adjusting the structure, rectifying the order, and smoothing relations, the country should ensure the sustained and steady development of machinery and electronics exports. The following methods are to be used. First, strengthen the export commodity structure and work to foster high-technology and high value-added exports, putting together a handful of products that will earn \$500 million to \$1 billion in foreign exchange annually. Second, adjust the structure of the export market and implement policies that are multi-directional, diversified, and that concentrate on the market and on market breakthroughs. Third, adjust the structure of export enterprises. At the beginning of the Eighth Five-Year Plan, form 200 enterprises that earn over \$10 million in foreign exchange annually, 300 enterprises that earn \$5-10 million in foreign exchange annually, and 400 enterprises that earn \$3-5 million in foreign exchange annually.

The meeting revealed that Shanghai's machinery and electronics export plans for the Eighth and Ninth Five-Year Plans have been formulated. The goal is for exports to reach \$1.937 billion in 1995, which is an increase of 106 percent over 1990 and an annual growth rate of 16.5 percent. By the year 2000, machinery and electronics exports from Shanghai's port will reach \$3.35 billion, an increase of 256 percent over 1990.

### **Shanghai's Foreign Trade During Seventh Five-Year Plan**

91CE0238A Shanghai JIEFANG RIBAO in Chinese  
18 Dec 90 p 1

[Article by Jiang Xinhe (5592 1800 0735), Yang Ming (2799 2494), and Liu Longnian (0491 7893 1628): "Shanghai's Foreign Economic Relations and Trade Increases Year After Year"]

[Text] During the Seventh Five-Year Plan, Shanghai's foreign economic relations and trade grew by leaps and bounds. Import and export trade increased yearly, foreign investment gradually expanded, foreign economic technological cooperation grew rapidly, and its achievements exceeded those of all the previous five-year plans. During the Seventh Five-Year Plan, Shanghai's overall import and export trade grew at an average annual rate of 8.1 percent. Its cumulative total for those five years could reach \$33.4 billion, an increase of 53.5 percent over the Sixth Five-Year Plan.

In five years, Shanghai's foreign trade exports overcame the difficulty encountered in the previous five-year plan, when exports directly managed by various localities and the supply of exports allocated to Shanghai dropped

drastically, causing exports to fall each year. Shanghai's exports passed through a "valley," and every year sustained an increase of 9.4 percent. Total exports for the five years could reach \$22.63 billion, an increase of 25.7 percent over the Sixth Five-Year Plan. Estimates are that this year's exports for the whole municipality will reach \$5.25 billion, a record amount. Exports' share in Shanghai's gross national product rose from 23 percent in 1985, the last year of the Sixth Five-Year Plan, to 27.1 percent this year; the municipality's average annual value of exports per capita rose from \$276 in 1985 to \$394 at present.

The export commodity structure showed marked improvement. During the Seventh Five-Year Plan, of the municipality's export commodities, in-depth processing and high value-added end products showed a marked increase. Heavy industry's share of export products rose from 18.7 percent in 1985 to 25.8 percent this year; the share of light industry's exported products and textiles rose from 58.5 percent to 60.4 percent; and that of agricultural and sideline product exports fell from 22.8 percent to 13.77 percent. The percentage of exported manufactured products rose from 77.2 percent in 1985 to 85.1 percent at present. What is especially noticeable is that Shanghai's machinery and electronics exports grew at a rapid average annual rate of 17.8 percent during these five years. This year these exports will reach \$945 million, an increase of 125 percent over 1985's level; machinery and electronics' share in the municipality's exports rose from 12.5 percent in 1985 to 19.1 percent this year, second only to textiles among the municipality's export commodities. During the Seventh Five-Year Plan, Shanghai's technology exports are budding, with the cumulative total reaching \$360 million, equal to one-third of the nation's total. This reverses the past situation of only importing and not exporting.

The ranks of exports are constantly growing. In the Seventh Five-Year Plan, a group of industrial trading companies and 34 industrial enterprises (groups) managed their own exports, obtaining the authority to manage their own exports. Exports from the three kinds of partially or wholly foreign-owned enterprises grew by leaps and bounds, thereby changing the situation where the specialized foreign trade company management system "unified the whole country," and promoting the development of Shanghai's foreign trade export industry. Presently, industrial trade companies account for 8.1 percent of the city's export funds, self-managed industrial enterprises account for 3.7 percent, and the three kinds of partially or wholly foreign-owned enterprises account for nearly 4.5 percent.

The foreign sales market has constantly expanded. Shanghai has now established trade relations with over 30,000 traders in over 170 countries and territories on five continents. Asia, Europe, and America have become major markets for Shanghai's export commodities. Comparing 1989 with 1985, Shanghai's export receipts from the three areas mentioned above increased by 59 percent, 43 percent, and 36.2 percent respectively.

During the Seventh Five-Year Plan, Shanghai's import trade totalled \$10.67 billion (as of the end of November), a sharp increase of 185 percent over the \$3.75 billion reached during the Sixth Five-Year Plan. The composition of import commodities has tended to become more acceptable. In 1985, 89.4 percent of Shanghai's import commodities were capital goods with a value of \$1.62 billion. Import commodities for means of subsistence accounted for 10.6 percent, and were valued at \$190 million. By 1989, the percentage of capital goods had risen to 96 percent, valued at \$2.7 billion, and the percentage of commodities for means of subsistence had fallen to 4 percent, valued at \$110 million.

During the Seventh Five-Year Plan, Shanghai obtained a marked technological and economic advantage by introducing advanced technologies and equipment. In the first four years of the Seventh Five-Year Plan, Shanghai concluded a total of 478 deals worth \$875 million. In this period, a total of 643 projects went into production, enabling a large number of technologically backward enterprises with obsolete equipment to obtain advanced technologies and equipment. The technological appearance of 19 key textile, bearing, light industry, and electronic trades underwent profound changes.

The receipts for finished product exports processed from imported raw materials increased greatly. They developed a new route for exports in addition to following the road where both ends are abroad. In 1985, Shanghai spent only \$230 million in foreign exchange on imported materials for producing exports. In 1989 this rose to \$1.14 billion (the same as this year), a sharp increase of nearly 400 percent. Presently, the value of exports processed from imported materials accounts for one-third of the total value of Shanghai exports, an increase of 25 percent over 1985.

During the Seventh Five-Year Plan, Shanghai's foreign investments made great advances. As of the end of November, Shanghai had established 152 joint ventures, contractual joint ventures, or wholly foreign-owned enterprises in over 30 countries and territories on the three continents of Asia, Europe, and America. Shanghai established 106 of these during the Seventh Five-Year Plan, an increase of 130 percent over the Sixth Five-Year Plan.

During the Seventh Five-Year Plan, Shanghai's contractual businesses concerning foreign technology made great achievements. In five years (through the end of November 1990), they signed a total of 305 foreign engineering and labor contracts, an increase of 580 percent over the Sixth Five-Year Plan. Presently, Shanghai has begun contracting for engineering and labor with over 60 countries and territories, an increase of 400 percent over 1985.

### Shanghai's Individually Managed Textile Exports Flourish

91CE0238C Shanghai JIEFANG RIBAO in Chinese  
25 Dec 90 p 1

[Article by Xue Shiying (5641 4258 5391): "Individually Managed Exports Enable Enterprises to Flourish"]

[Text] Enterprises in Shanghai's textile system that individually manage their own exports have taken responsibility for their own profits and losses, and they are thriving. This year, three individually managed export enterprises did not receive allocations, and so sought their own customers. By mid-November, individually managed exports had already earned over \$18 million in foreign exchange, exceeding last year's quota of \$12.69 million by 30 percent and last year's total of \$11.87 million by 34 percent. Estimates are that individually managed exports could earn \$22 million this year.

Only three enterprises in the Shanghai textile system manage their own exports: the Number Two Textile Machinery Factory, the Number One Silk Printing and Dyeing Factory, and the Number Seven Silk Printing Factory. In general, with materials prices rising, the market slumping, and benefits and foreign exchange earnings both slipping, textiles are not meeting expectations. Only the three enterprises that manage their own exports are thriving; their benefits and foreign exchange earnings are rising constantly.

—The Shanghai Number Two Textile Machinery Factory firmly occupies its position as the "king of spun yarn." Its products are sold in South Asia and in all the Warsaw Pact countries. From January through October of this year, its foreign exchange earnings from exports have already been double its contract target.

—While managing its own exports, the Shanghai Number One Silk Printing and Dyeing Factory has developed high-grade, real silk clothing and has become an all-around material and clothing export factory. The factory's foreign sales orders already extend into next year.

—The Shanghai Number Seven Silk Printing Factory has established its reputation among its customers. Germany's largest shirt merchant, Sha-dun-si-dai-ke [3097 7319 2448 1486 0344], Italy's famous La-di [2139 5530] Company, and Ka-si-da-dun [0595 2448 6671 7319] Company, a store that sells worldwide, have all decided to sell the "three golden cups" [jin san bei; 6855 0005 2637] brand.

Managing their own exports arouses the enthusiasm of the enterprises to the utmost. The Number One Silk Printing and Dyeing Factory often meticulously analyzes the market. The factory manager bought a short, silk-look skirt at a French exhibit for the high price of 190 francs. When they analyzed its composition, they found it to be a high-grade synthetic cotton. Very quickly, the

Number One Silk Printing and Dyeing Factory also successfully trial-produced this type of synthetic cotton, naming it "mulberry smooth silk." "Mulberry smooth silk" rapidly became a hot seller on the foreign market. Its price went from \$.80 per meter to \$1.20 per meter. The successful development of "mulberry smooth silk" was precisely the result of their market research.

Managing their own exports also increases the enterprises' sense of responsibility, and makes enterprises aware of the difficulty of establishing reputations and name brands. The Number Two Textile Machinery Factory recently received a customer with a request that was quite peculiar. He wanted to join the "head" and "tail" of one spinning frame model to the "belly" of another model. This customer had been refused at every other place, and finally came to the Number Two Textile Machinery Factory. The factory researched the idea, and finally cooked up the "little concoction."

Managing their own exports broadens enterprises' outlooks, opens their minds, and makes them "bright and capable." Recently the Shanghai Number Seven Silk Printing Factory went to Munich to participate in the Asian Silk Fair. They took silk material and clothing, and real silk garments were unexpectedly well received. They concluded deals for 160,000 items. After they returned, the factory dismissed their great worries about the risk of developing clothing and immediately contacted clothing processors; the proportion of their clothing that was exported rose to 70 percent.

## POPULATION

### Editorial Stresses Family Planning in Northern Jiangsu

91CE0244A Nanjing XINHUA RIBAO in Chinese  
17 Dec 90 p 1

[Unattributed Editorial: "The Province Focuses on Family Planning—The Key is Northern Jiangsu"]

[Text] Since family planning was first implemented in 1971, northern Jiangsu has made great progress in its family planning work, thanks to the leadership of party committees and governments at all levels and joint efforts of vast numbers of cadres and the masses. In recent years all local authorities, acting in the spirit of northern Jiangsu's Fourth Symposium on Family Planning Work, have quickly changed the existing situation and promoted family planning work. Despite an insufficient foundation, a heavy work load, and enormous difficulties, they have done a lot of work. In particular, after the provincial party committee and provincial government issued the "Resolution on Enhancing Family Planning Work" last June, the family planning work of the four municipalities in northern Jiangsu has reached a new turning point, which is very encouraging.

However, we should clearly recognize that currently serious population pressures still face the province, especially in areas in northern Jiangsu. The task of family planning remains very formidable. Over the last nine years, the province's population increased on average by more than 800,000 people annually, which is the equivalent of adding the population of a medium-sized county each year. In the last two years, not only did the birth rate not fall, but it rose slightly. The overall ranking of the province's family planning work has gradually fallen behind. While the current peak in births may be a contributing factor, one important cause is that unplanned births in northern Jiangsu have not been effectively controlled. In the next five years, Jiangsu will reach the highest point in the 10-year period of peak marriages and births, thus aggravating the task of family planning. Therefore, we should be aware of the serious population situation in northern Jiangsu while acknowledging the favorable conditions for fulfilling the task of population planning. We should face up to the difficulties that lie in front of us and firmly adopt an overall, long-term point of view, and a point of view that stresses both economic and human production. We should fully recognize the importance and urgency of controlling excessive population growth in northern Jiangsu, and do our best to carry out family planning work in the four cities in northern Jiangsu.

Strictly controlling excessive population growth in northern Jiangsu would be helpful in attaining the population control target for the whole province. During the Seventh Five-Year Plan, northern Jiangsu's unplanned births accounted for more than 86 percent of all unplanned births in the province. The increase in northern Jiangsu was because not only birth conditions, but also the family planning base, differed with that of southern and central Jiangsu. Unplanned births were rather common. According to estimates based census information, over the last nine years nearly half of all births in northern Jiangsu were unplanned. Therefore, northern Jiangsu holds the key, the hope, and the potential for fulfilling the province's birth control target, its population plan for the end of this century, and for improving the province's family planning work.

Strictly controlling the excessive population growth in northern Jiangsu would be helpful in promoting northern Jiangsu's economic and social development and rapidly raising the population's living standards. Since 1982, northern Jiangsu's population has been progressively growing at more than 2 percent annually. If no effective measures are taken to control population growth, a lion's share of northern Jiangsu's newly increased national income will be consumed by the newly increased population, making it impossible to raise people's living standards. It would further enlarge the gap between northern and southern Jiangsu with regard to their economic and social development. Therefore, leadership at all levels in northern Jiangsu should strongly recognize the population crisis. They should use their sense of historical responsibility and mission towards the masses in northern Jiangsu, and really try to ensure the implementation of birth control measures and bring the excessively high birth rate down to a lower level within a short period.

Continuing to stabilize and carry out the province's existing family planning policy is fundamental to quickly reversing northern Jiangsu's population situation and fulfilling the population plan. In addition, whether the existing policy can be implemented well depends on the political consciousness of leaders at all levels. As long as cadres at all levels really are politically conscious, exercise their leadership, and put measures into practice, and as long as party members and cadres set an example and patiently educate people, the majority of the masses can understand and adhere to the province's existing family planning policy. At present, we should integrate the study, dissemination, and implementation of "Jiangsu Province's Family Planning Regulations," and use various forms and channels to disseminate existing policies on the population situation and birth control to the vast number of cadres and masses. We should insist on proceeding from actual conditions, integrate ideological education with helping the masses to overcome their concerns and difficulties so as to facilitate the successful implementation of family planning work.

Implementing family planning, controlling population growth, and improving population quality is an arduous and complicated project for the social system. Therefore, we must earnestly strengthen the party's leadership. Party committees and governments at all levels in northern Jiangsu should shoulder the responsibility for completely carrying out population planning in their respective areas, put family planning work in an important position, and pay as much attention to family planning as to economic construction. They should implement a management and responsibility system in order to achieve population and birth control objectives. All parties concerned should coordinate and embark on comprehensive treatment. The role of grassroots party organizations as a fighting force and the exemplary vanguard role of the vast number of party members must be brought into full play. Teams of family planning activists should be set up using local party branches as their core. The role of family planning associations should also be fully utilized. Whatever is demanded of the masses must first be demanded of party members and cadres, who should be models for carrying out policies, as well as for educating and serving the masses. We believe that as long as the cadres and masses in northern Jiangsu can build on their previous achievements, keep up their spirits, advance despite difficulties, and work in a down-to-earth manner, they can certainly change the face of family planning work in northern Jiangsu as quickly as possible.

## ECONOMIC ZONES

### Main Functions, Supplementary Functions of Waigaoqiao Bonded Zone

91CE0240A Shanghai JIEFANG RIBAO in Chinese  
10 Dec 90 p 5

[Article by Lin Feng (2651 6912): "Main Functions and Supplementary Functions of the Waigaoqiao Bonded Zone in Pudong"]

[Text] Developing the Three Major Functions of Trade, Warehousing, and Export Processing

The Waigaoqiao Bonded Zone in the Pudong district of Shanghai, the establishment of which was approved by the State Council, has three principal functions: trade (including entrepot trade and transit trade,) warehousing, and export processing. As for the means of achieving these three functions, we have two choices. One, make trade the engine of growth to spearhead the development of the other two functions. Two, make export processing the engine of growth to spearhead the other two. In my opinion, the bonded zone should start with export processing and use it to expedite developments in other areas.

First, establish a number of small export processing zones in stages. Concentrate on building infrastructural facilities and factory buildings. Develop Sino-foreign joint ventures, Sino-foreign contractual joint ventures, and wholly foreign-owned enterprises. Selectively put together export enterprises financed by mainland capital. To intensify its export orientation, attract industries in the interior, particularly provinces and municipalities in the Chang Jiang valley, to process their mainstay products and semi-finished products for export in the zone. Also, make an effort to attract multinationals and other large and powerful companies to come to the zone. Initiate a number of projects that are large in scale, advanced, and interconnected to act as a magnet for related projects so as to develop enterprise groups that will be competitive on the international market and adaptable. Furthermore, to meet the demand of the adjustment of the industrial structure, Shanghai should site a number of high-level projects with good development prospects in the export processing area of the Waigaoqiao bonded zone.

Second, when industry and the port have reached a certain level of development, set aside a parcel of land in the bonded zone for the establishment of a bonded warehousing area to provide specialized piers and related facilities. Large warehouses can be built there along with service facilities. Use the raw materials trade and the export of finished products that will have developed in the export processing area as a magnet to draw to the zone all kinds of materials from the interior. Make the bonded zone a collection and distribution point, a transfer station, and an international warehousing center for foreign goods. As a bonded warehouse, Waigaoqiao should offer an array of business and handling services. Before they are sold out, domestic exports and foreign goods may be shipped here first for storage. Their owners, in the meantime, can monitor the market and, when the time is right, ship them to a neighboring country or regional market. Alternatively, they may take advantage of the facilities in the zone to disassemble, combine, repackage, grade, classify, and simple-process their products in order to meet the demand of neighboring markets while saving on assorted expenses.

Furthermore, a free trade area should be set up adjacent to the bonded warehousing area to carry out international commodity exchange by taking advantage of the concentration of goods in the area around the port. First, establish a foreign trade company to handle the transshipment of offshore commodities and create an Asian-Pacific retail center for foreign firms. Second, establish a Sino-foreign joint trading company to engage in entrepot trade involving commodities from overseas, act as an import/export agent for enterprises in the zone, and handle the export and import of commodities other than those under centralized state management on behalf of enterprises outside the zone and in other parts of the country. Third, establish a Sino-foreign joint commercial company to provide foreigners with tax-free commodities. Fourth, foreign trade units in other parts of the country may set up windows in the zone to conduct trading activities of all kinds, gain access to information, understand the market, and expand exports.

Entrepot trade is a relatively profitable line of business. When entrepot trade takes shape in the zone, it will be a sign that the bonded zone has matured. Quantitatively speaking, we envisage the free trade area in the Waigaoqiao bonded zone to be doing entrepot trade at the level of HK\$20 billion in the 1990's. Specifically, we propose that: 1) The bonded zone try to attract both domestic and foreign trading companies to set up "windows" in the zone to develop entrepot trade. Encourage enterprises at the center with the authority to import and export to set up trade offices in the zone to handle entrepot trade. Develop the zone into a reprocessing center for exports in the Chang Jiang valley. Establish a spot market and a futures market in the zone to provide bonded merchandise for enterprises of the three sources of capital and export enterprises in the Chang Jiang valley. Allow enterprises of the three capital sources in the zone to procure products made by domestic enterprises outside the zone for export. Such products should be included in the catalogue of products authorized for trade, must be paid for with foreign exchange, and should be exported with the foreign trade company of the zone acting as agent. Encourage and help foreign trade companies to set up their own business and information-gathering offices around the world and expand their range of economic and trading activities to form an enterprise trade system. 2) Raise funds needed for going into entrepot trade using a variety of means through all channels and at all levels. Possibilities include asking foreign banks in Pudong to issue entrepot trade loans and setting up Sino-foreign joint foreign trade companies. Or the state may set up an entrepot trade fund, issue foreign exchange bonds or stocks overseas, and let domestic enterprises and groups authorized to import and export to raise foreign exchange on their own to finance their own entrepot trade business.

#### **How To Develop Supplementary Functions: Tourism, Retail Service, Finance and Insurance, Advertising, and Information**

1. Tourism in the bonded zone. What first gives rise to tourism in the bonded zone is the need to serve foreign

businessmen, sailors, and transit travellers in the zone. When recreational projects have reached a certain level of development, we may then pick a separate tourist site to receive tourists from all over the world. As the bonded zone develops and improves its other functions, it should also gradually build up and perfect its tourist function. Consider building some cultural and sporting facilities that have national flavor yet suit foreign tastes and combine entertainment with profitability, hotels, restaurants, and upscale places of entertainment. Achieving the tourism function will take two stages.

First, make the construction of tourist facilities in the bonded zone plan part of the capital construction plan. Assorted cultural, sporting, and entertainment facilities in the various sub areas and between the sub-areas should be opened for use at the same time as the sub-areas. As the bonded zone's principal functions gradually come to fruition, a separate small entertainment area should be built in the zone. The entertainment area should specialize in advanced and sophisticated facilities, the best in the world, so that tourists will enjoy themselves so much that they will not want to leave.

Second, develop tourist resources on Hengshadao to work in concert with the Waigaoqiao bonded zone across a strip of water. The island can serve as a back-up for the tourist industry in the bonded zone, an extension of the principal functions of the zone, and a part of the tourist industry of the entire Pudong area. To develop the tourist resources of Hengshadao, we may consider setting up Sino-foreign joint ventures and contractual joint ventures or leasing land to foreign businessmen for development using solely foreign capital. But this plan must wait until after the Pudong area and the bonded zone have achieved a measure of prosperity. It should be one of the goals of the long-range plan for the development of the supplementary function of tourism in the bonded zone and the Pudong area.

2. Retail service. Retail service will fill a gap in the bonded zone. Retail service in the zone should center on large state-owned department stores. In addition, a host of specialty stores each with their own characteristics should be built to bring together fine products from around the world, domestic name-brand merchandise, agricultural byproducts and native goods, and handicrafts, thus forming an international shopping center that will serve foreign businessmen, tourists, and sailors and accept mainly foreign currency and foreign-exchange renminbi.

3. Finance and insurance. Chinese and foreign financial and insurance institutions in the bonded zone are mainly engaged in trade accounts settlement, investment, and the trading of stock and provide all kinds of risk insurance, merchandise insurance, and transportation insurance. The development of the financial function in the bonded zone may be based on financial freedom. For instance, the investment, reinvestment, remittance overseas, and transfer of capital and profits should be determined freely by the investor. Foreign exchange should be



freely redeemable in the zone. The duration of time required for foreign exchange control and remittance formalities should be the same as what banks in other nations and regions take. There should be no restrictions on the incomes and expenditures of trade, nontrade, and capital projects. All sorts of foreign-currency and renminbi exchange notes should be allowed to circulate freely in the zone. There should be free movement of foreign currency between the zone and other countries. The renminbi should not be allowed into the zone. In-depth studies should be carried out in this area and appropriate policies relating specially to the financial industry in the zone drawn up.

4. Advertising and information. The import departments of most foreign integrated commercial firms communicate with their overseas branches 2,500 to 4000 times electronically everyday on the average. Hence the bright prospects for the zone's advertising and information industries. Measures to be taken: 1) Set up an international trade center in the zone's free trade area to bring together exhibitions, advertising, trade negotiations, and communications under one roof. The center should be equipped with all essential trade negotiation data, publish handbooks on the handling of commodities and guides to regional markets, and advertise through radio and TV. 2) Create a world-wide economic and trade information network connecting the zone with trade, financial, and information centers in the world like New York, London, Tokyo, and Hong Kong so as to gain access to accurate trade and commercial information promptly.

Other supplementary functions like real estate, commercial processing, and ship repair and container repair should be developed as appropriate.

## LABOR

### Personal Income Trends in First Three Quarters of 1990

#### Urban Income Up 7.9 Percent

91CE0212A Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 26 Nov 90 p 3

[Article by correspondent Fan Junhu (5400 6511 5706) and Shi Fangchuan (4258 2455 1557): "Urban Living Standards Improve Step by Step in the Year of the Horse; Real Income Increases Instead of Declining; Consumption Expenditures Changes From Weak To Strong; This Year's Per Capita Living Income Is Estimated To Reach 1,360 Yuan, an Increase of 7.9 Percent Over Last Year"]

[Text] In the year of the horse, people can no longer hear complaints in the streets about "prices rising too fast." The atmosphere is peaceful and prosperous everywhere. Due to the abundance of goods and the stability of prices, the living standards of urban residents rose still another step higher in the year of horse, resulting in the

promising situation in which real income has changed from declining to increasing and consumptive expenditure from weak to strong.

The change from decline to growth in the actual per capita living income of urban households is a major characteristic of the change in the lives of urban residents in 1990. According to information from urban survey headquarters of the State Statistical Bureau, in the first nine months, the per capita monthly of urban incomes was 111.8 yuan, an increase of 9.5 percent over the corresponding period of 1989. After adjustment for inflation, the actual increase was 8.5 percent. The increase of real urban income is due to two factors. 1) The state promoted every worker to a higher grade on the wage scale. In the first nine months, the per capita monthly wage income of urban households was 83.8 yuan, an increase of 9.9 percent over the corresponding period of 1989. 2) The price level was relatively low. In the first nine months, workers' cost of living index increased only 2.8 percent, much lower than the corresponding period of 1989. It is estimated that the urban income may reach 1,360 yuan in 1990. After deducting the factor of workers' cost of living increase, the real increase will be 7.9 percent, reversing the declining trend of 1989.

Per capita consumption expenditure of urban households has changed from weak to strong, which is another major characteristic of the change in urban residents' lives. Statistics show that between January and September, the per capita living expenditure of urban residents was 103.7 yuan, an increase of 3.7 percent over the corresponding period of 1989. After adjusting for inflation, the actual increase was 2.6 percent. Consumption expenditures increased in every quarter. Compared to the corresponding period of 1989, it declined five percent in the first quarter, began to pick up and increased 4.6 percent in the second quarter, and sped up to 8.6 percent in the third quarter. In the third quarter, per capita spending of urban households on clothing, supplies, and entertainment was 27.4 yuan, an increase of 18.6 percent over the corresponding period of 1989, reversing the situation of negative growth in the first half of 1990. The change of urban household consumption expenditure from weak to strong indicates that China's urban consumer goods market has begun a recovery.

#### Peasants' Real Income Declines

91CE0212B Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 26 Nov 90 p 3

[Article: "Peasants' Cash Income and Spending Slightly Increased in the First Three Quarters; Real Income and Consumption Spending Declined; and Real Net Income Is Estimated To Remain the Same or Decrease Slightly"]

[Text] According to a sample survey of rural households across the country conducted by the rural survey team of the State Statistical Bureau, in the first three quarters, the per capita cash income and expenditure of peasants



increased slightly compared with 1989. After adjusting for inflation, peasants' actual income and expenditure level declined.

In the first nine months, peasants' per capita cash income (not including savings and loan income) was 447 yuan, an increase of 1.1 percent over the corresponding period of 1989. After deducting the factor of price, real cash income declined 3.7 percent. Surveys show that the rural income growth is attributable mainly to the increase of cash earnings from the sales of crops. Unlike previous years, peasants increased their income mainly by increasing the quantity of crops they sold.

There are three causes for the decline of peasants' real cash income: 1) the sales prices of agricultural and sideline products declined, causing peasants to earn 8.8 yuan less per capita; 2) the cash income of family-run secondary and tertiary industries declined by 4 yuan per capita compared with the corresponding period of 1989; 3) peasants' cash income from township enterprises remained the same as last year instead of increasing substantially as in previous years. In the first three quarters of 1985, 1986, 1987, 1988, and 1989, peasants cash income from township enterprises increased an average of 28.3 percent a year. But in the same period of 1990, per capita peasants income from township enterprises was 29.65 yuan. The growth rate dropped suddenly to zero.

Affected by income, peasants' per capita living cash expenditure was 278.8 yuan in the first three quarters, a decline of 0.3 percent from the corresponding period of 1989. After adjustment for inflation, the actual decline was 4.3 percent.

Under the situation of reduced real income, drastic changes occurred in the structure of peasants' living expenses. Peasants were forced to concentrate financial resources on the most essential items. Except for expenditures on food, clothing, and fuel which increased slightly, all consumption expenditures, including building materials which had increased rapidly a few years ago, declined by a relatively large margin.

Since the price indexes of services remained high, while the actual purchase of consumer goods by peasants declined, service consumption still increased after adjustment for inflation.

Analyses show that the main causes of decline in peasants' consumption are: 1) peasants' real cash income decreased; and 2) the cost of living index in rural areas were too high. From January to August, the cost of living indexes of urban areas increased only 1.1 percent, while that in rural areas increased 4.2 percent.

Due to the considerable number of foreseeable factors that could reduce income in the future, the rural survey headquarters of the State Statistical Bureau thinks that 1991 rural real incomes will remain roughly the same or decrease slightly. In view of this, they think that the decline of peasants' actual net income will cause their

living standards to decline, production investment to decrease, and the rural market to continue to be sluggish. This could also hinder the process of transformation of peasant households from a self-sufficient economy to a commodity economy on a fairly large scale. Because of this, maintaining stable growth of rural incomes is an important task of rural work at the present.

## TRANSPORTATION

### Shipping Company Modernizes Freightier Fleet

HK0402075991 Beijing CHINA DAILY in English  
4 Feb 91 p 1

[By staff reporter Gao Jinan]

[Text] China's leading State-run shipping company is modernizing its freighter fleet in order to handle the increasing volume of the country's foreign trade.

Last year, China Ocean Shipping Corporation (COSCO) bought several large tonnage freighters for grain, ore and crude oil shipment and more will be purchased.

It also ordered five container ships from Europe. According to a press release from the corporation, these container ships have been put into operation on Pacific routes.

The release shows that the COSCO's container ships, with more than 100,000 booths, rank the fourth among all shipping companies in the world.

The corporation has joined the Pacific container shipping network, sailing between more than 40 ports.

At present, its fleet is composed of more than 600 freighters of 15 million dwt. The freighters sail to more than 1,100 ports in over 150 countries and regions in the world.

Last year, these ships transported a total of 83.34 million tons of cargo, a 4.4 percent increase over the previous year.

About one-third of the country's foreign trade goods are shipped by cargo freighters owned by the corporation.

The corporation operates 47 regular routes to North America, Europe, the Mediterranean and Gulf countries, Australia, New Zealand and Japan.

The COSCO, under direct overall administration from the Ministry of Communications, manages the China Ocean Shipping Agency which acts as an agent for all foreign cargo freighters calling at Chinese ports.

The agency last year handled more than 50,000 foreign ships and 153 million tons of freight.

The agency now has 48 branch companies across the country and has representative offices in Japan and Hong Kong, the release says.

## PUBLICATIONS

### Shanghai Publishes Modern Literature Collection

OW0902170991 Beijing XINHUA in English  
1544 GMT 9 Feb 91

[Text] Shanghai, February 9 (XINHUA)—All 50 volumes of the collection of modern Chinese literature have been published, according to the Shanghai Cultural Publishing House.

The collection includes the literary works of the generation of authors that wrote in the years between 1917 and 1949.

The first 10 volumes, which include the literary works from the 1917-1927 period, were published in the 1930s.

Each of the 50 volumes provides an all-around representation of the history and the great achievements of modern Chinese literature during a period that witnessed China's transition from a 2,000-year-old feudal society to a capitalist and then ultimately, a socialist society.

For example, the last published volume is a collection of the works of the great writers from the anti-Japanese aggression war period, including Lao She, Mao Dun, Xiao Hong, Qian Zhongshu and Din Lin.

The Shanghai Cultural Publishing House is compiling another two large collections of literary works from the period between the Opium War in 1840 and the May 4th Movement in 1919, and the period starting from the founding of the People's Republic of China, 1949, to the eve of the Culture Revolution, 1966.

## AGRICULTURE

### Forestry Price System Discussed

91CE0268A Beijing ZHONGGUO LINYE BAO  
in Chinese 28 Dec 90 p 2

[Article by Xu Youfang (1776 2569 5364), Vice Minister of Forestry: "Focus on the Task of Setting Up the Forestry Price System"; the last paragraph in italics is a source-supplied editorial note.]

[Text] The State Council has approved the setting up of a forestry price system for the state-owned forest zones in the northeast and Inner Mongolia. To make sure that it is done properly, the Ministry of Forestry, the Ministry of Finance, and the State Administration of Commodity Prices have made a joint study and, based on actual conditions in the northeast and Inner Mongolia, have decided that on 1 January 1991, some forestry bureaus will begin charging a forestry price based on the stock of standing timber assigned to each felling area and the price will be figured into the production cost of timber, taking the first step toward implementing a forestry price system.

### I. Why Do We Need a Forestry Price System?

The forest zones of the northeast and Inner Mongolia are China's main forest zones and are also important timber production bases. There are 34.836 million hectares of forest land in these regions, 2.57 billion cubic meters of which is commercial forest land, accounting for 29.6 percent and 41.7 percent, respectively, of the country's total forest and commercial forest areas. The cutting and removing of timber have always been treated like any other excavation industry, and basically forest resources have been exploited free of charge. The resulting problems are:

A) Since the forests are exploited free of charge, the production cost of timber only includes the cost of cutting and transporting the timber and not the value of the forest resources spent. This distorts the real cost of timber produced, and as a result, the state-set price of centrally allocated timber is always too low, capital spent on reproducing forest resources is not properly paid back via the price of timber, the general policy of making "forest management the foundation" was never fully implemented, many state-owned forests now require extensive regeneration and are operating at a loss, and the amount of recoverable resources have greatly diminished.

B) Since forest resources are tapped free of charge, it is very difficult to smooth out the economic relations between the state and enterprises over the ownership rights in forest properties, and therefore there is no effective constraining mechanism. This makes it very difficult to control the excessive extra-plan consumption of forest resources, and there is huge loss and wastefulness in exploiting forest resources.

C) Because of the free use of forest resources, the state has no effective macroeconomic measure to regulate the income disparities that stem from differences in the amount of resources different forests yield. Thus, there are serious inequities among the forestry enterprises. Some newer enterprises have more forest resources to tap and have larger timber production and fewer reforestation responsibilities have more capital and larger profit and are doing very well. Older enterprises have fewer forest resources to tap and smaller production but more reforestation responsibilities are in serious economic trouble.

The implementation of the forestry price system is an attempt to deal with the above-described problems. The basic goals of the forest price system are:

One, by smoothing out the economic relations between the state and enterprises over forest ownership rights and management rights, enterprises' use of state-owned forest resources would require compensation, and using economic measures to strengthen the state's management of forest resources, we can further establish and perfect a mechanism whereby the state can control enterprises' over-consumption of forest resources.

Two, by changing the forestry enterprises' financial accounting system, that is, changing the accounting system which centers around timber production into a system which implements the policy of making "forest management the foundation," we can turn the fruits of forest management into tangible economic gains and include the value of forest resources expended in timber felling in the production cost of timber and sort out the structural relations in timber prices and guarantee that expenses incurred in the reproduction of forest resources will eventually be fully recovered in the price of timber; in turn, we can set up and perfect a mechanism to stimulate forest management and production and put the general policy of making "forest management the foundation" into practice and continue to increase forest resources.

Three, by making enterprises pay for the use of forest resources, we will change the situation where, in the past, enterprise economic efficiency was linked to excess consumption of forest resources and not to the proper use of resources nor to increased utility rate nor the vigorous development of forest resources. We will be able to establish and perfect a regulation and control mechanism whereby the state can balance the relationships in the allocation of enterprise economic benefits.

Thus, implementing a forest price system complies with the objective needs of the natural law of forestry production and the law of commodity economy. It is a radical, major reform in the state-owned forest zones and is also an indispensable, important measure that "prevents disasters and invigorates forestry" and promotes the recovery and development of forest resources.

## **II. The Basic Idea, Goals, and Step-by-step Implementation of the Forestry Price System**

The basic idea behind the forestry price system is, by thoroughly sorting out the relations among the forest products of different value and the relations between the state and enterprises on resource management and utilization through the price system, we hope to put the whole forestry production on the track of the law of commodity value, making enterprises pay for the use of forest resources. In turn, we hope to set up, in stages, a forestry economic operation mechanism that is compatible with the development of forestry products, and which facilitates the cultivation, management, and proper use of resources, laying the economic foundation to help forestry attain a benign cycle.

The implementation of the forestry price system has two main goals: First, with respect to the resource management system, the forest price system is the starting point from which we can gradually set up a management system whereby the state can transfer resources to enterprises, with compensation, or allow enterprises to use those resources, with compensation. In turn, this will be reflected in the economic relations, because by regulating prices, the state will have better macroeconomic control over the increase or decrease of forest resources

and raise the forestry enterprises' rates of exploitation and utilization of forestry resources and stop their excess consumption and wastefulness of forest resources. Second, with respect to the relations among forest products of different value, besides including the full cost of cultivating forest resources, the structure of forestry price should guarantee that forest management and production have some accumulation, and forestry price must eventually be recovered through the price of timber by including all costs in the cost of timber production.

In the spirit of the General Office of the State Council's response to the "Report on the Forestry Price System in the State-owned Forest Areas of the Northeast and Inner Mongolia," and after study by the Ministry of Forestry, the Ministry of Finance, and the State Administration of Commodity Prices which have sent a report to the State Council for its approval, the first step toward implementing a forestry price system has been taken in combination with this round of adjustment of northern timber price by the state. Specifically, out of the current 61 yuan per cubic meter price adjustment on centrally allocated timber, 30 yuan will be set aside and combined with the current 21 percent afforestation fund (32 yuan per cubic meter) levied on income from timber sales. This will be the first standard forestry price: For now, the average forestry price of timber will be 62 yuan per cubic meter, which converts to around 40 yuan per cubic meter of standing timber in stock. Forestry enterprises will be charged the price at the assignment link in the felling area, and add that to their timber production cost based on the survey of standing timber in stock in the felling area. A reasonable forestry price standard will eventually be attained with the gradual adjustment of timber prices. To implement this reform actively, steadily, and cautiously, it is decided that beginning on 1 January of 1991, the forestry bureaus in Daling, Weihe, Muleng, Cuiluan, Shuangyashan, Dashitou, Sanchazi, Huzhong, and Alihe will take the lead to charge the forestry price based on the stock of standing timber assigned to each felling area and figure in this price in the timber production cost. This will provide us with some experience before the system is implemented nationwide. All other forestry enterprises will continue to charge the forestry price based on a fixed percentage of their income from timber sales but need not include that price in the timber production cost. Meanwhile, the implementation of this system should be accompanied by the reform of the forest resource management system by installing a system of level-by-level management of the way timber is allotted and delivered, checked and accepted in the felling areas to ensure the smooth implementation and perfection of the forestry price system.

## **III. Several Issues Which Must Be Resolved When Taking the First Step To Implement the Forestry Price System**

Implementing the forestry price system is a very complicated reform task. It involves many different relationships. After taking the first step to implement the system, especially, the management system will need further

improvement. Here I would like to emphasize the need to resolve the following issues:

One, we must design a better survey of the felling areas and strengthen management in the way timber is allotted and delivered, checked and accepted to provide more reliable data for forestry pricing. Surveys of the felling areas and allocation and acceptance are critical to the implementation of the forestry price system and are also the most important bases of the forestry price system. Forest resource management departments at all levels must make sure that they do a good job in these two areas and adhere to the timber cutting quota and timber production quota set by the state and provide accurate, reliable information for charging forestry prices based on the stock of standing timber. In implementing the forestry price system, we must resolutely prevent falsification of the amounts and mix of resources used or deliberate failure in charging or under-charging the forestry price in order to increase enterprise profit.

Second, we must manage the forestry price and income from forestry prices as well as the allocation of their use properly and strengthen the management of forest resources. Forestry prices as compensation for forest resources spent on timber production must be included in the production cost of timber by enterprises' finance department according to the forestry price standard set by the state based on information provided by the resource department after surveying the felling area. The remaining forestry bureaus should charge a forestry price based on income from timber sales, and although they need not include that price in the cost of timber production for now, they must still charge a price using the state-set standard price. Forestry funds collected by enterprises should be put into the afforestation fund for management. To solve the existing problems which stem from disparities in timber production and resource distribution among different forestry enterprises which have resulted in income disparities and in the ability of enterprises that produce more timber to collect more, while smaller producers with more forest management duties which need more funds collect less, and so on, after the state-owned forest zones in the northeast and Inner Mongolia have begun implementing the forest price system, the income enterprises collect by charging a forestry price, except for a small percentage which may be retained, will be managed centrally by the province-level forestry enterprise management department and the central government.

Revenue from forestry pricing, as the main source of afforestation fund, must comply with the principle that "whatever is taken from the woods must be spent on the woods" and must be used to recover and expand forest resources. Forestry enterprise management departments at all levels and the forestry enterprises themselves must take good care of those funds within the scope of permitted use and increase their use-efficiency. Forestry revenue and expenditure must abide strictly by the budget system.

#### **IV. Several Points on Letting Some Forestry Bureaus Spearhead the Task of Charging a Forestry Price Based on Timber Stock**

Beginning 1 January 1991, nine forestry bureaus will go ahead and charge forestry price based on the stock of standing timber allotted to them in the felling areas so as to gather some experience before the system is implemented in full. The following are what is required of us if these nine advanced bureaus is to succeed:

A) We must try to become more knowledgeable, while strengthening leadership and guaranteeing that these nine advanced bureaus can proceed successfully in charging a forestry price based on the stock of standing timber. The nine advanced bureaus make every effort to implement the system of forestry pricing, making it a major reform measure, while planning their move realistically. Problems encountered in the process should be reported to the departments in charge promptly so that they can be dealt with immediately.

B) We must be fully prepared for the implementation of the forest price system. The nine advanced forestry bureaus should comply with the new rules and do a good job surveying their own felling areas, improve the quality and precision of their work, and if the surveys and the allotted timber do not meet the quality requirements, adjustment should be made promptly when needed and reworking should be done immediately when needed so as to guarantee there is no omission and no undervaluation in charging the forestry price. Teams that do not do a good job in surveying their resources and cannot meet the standards of the forestry price system should be readjusted and augmented.

C) We must pay attention to reviewing promptly the experiences and the problems of the advanced bureaus as they begin charging a forestry price based on the stock of standing timber. From the beginning, all relevant departments must pay attention to possible chain reactions resulting from the implementation of the forestry price system, especially with respect to resource management, timber production, financial accounting, and forest management and production. All possible changes in relationships after the charging of forestry prices based on the stock of standing timber should be studied systematically.

D) As the nine advanced bureaus take the lead to charge forest pricing according to the stock of standing timber, the other forestry bureaus in general should actively create the conditions and prepare for the nationwide implementation of the collection of forestry prices based on standing timber. We must emphasize that although the other forestry bureaus are charging a forestry price based on their income from timber sales for the time being, it is only a temporary measure. Eventually, they will all make a transition to charging prices based on the stock of standing timber. Thus, starting from now, they should make preparations with respect to resource management, timber production, financial accounting, and forest management to make sure that they can make the

transition to charging a price based on the stock of standing timber within a fairly short period of time. Forestry enterprise managing departments at all levels should have a plan and work closely together to help the forestry enterprises under their respective jurisdictions make the transition to the new system, avoiding chaos and guaranteeing the successful implementation of the forest price system.

(Editorial note: This is an excerpt of the speech delivered by Vice Minister Xu Youfang on 11 December 1990 at a work forum on the implementation of forestry price system in the state-owned forests in the northeast and Inner Mongolia. The subheads are the editor's.)

### Jan Export Volume of Cereals, Oils, Food Reported

HK2002093091 Beijing CEI Database in English  
20 Feb 91

[Text] Beijing (CEI)—Following is a list showing China's export volume of cereals, oils and food in Jan. 1991, released by the General Administration of Customs:

Item	Unit	Jan. 1991	Jan. 1990
Pig	head	156,380	246,125
Poultry	in 10,000	306	347
Beef	ton	23,504	1,746
Pork	ton	12,843	4,688
Chicken	ton	324	887
Rabbit	ton	1,026	660
Egg	in 1,000	43,567	28,121
Aquatic products	ton	19,429	15,648
Fish	ton	3,370	2,120
Prawn	ton	1,654	3,437
Cereals	ton	474,420	137,679
Rice	ton	31,639	14,175
Soybean	ton	244,341	25,138
Pulses	ton	51,892	43,584
Maize	ton	115,852	47,665
Vegetables	ton	50,334	45,212
Fruit	ton	11,418	22,533
Orange	ton	6,949	18,413
Apple	ton	50	425
Sugar	ton	1,420	11,343
Canned food	ton	27,757	26,322
Pork	ton	2,207	5,104
Vegetables	ton	15,983	15,976
Fruit	ton	7,377	3,815
Others	ton	2,054	1,427
Vegetable oil	ton	12,365	4,423
Peanut	ton	30,633	5,066

### Sichuan Pork Prices

91P30094A Beijing SHOU DU JINGJI XINXI BAO  
in Chinese 12 Jan 91 p 2

[Summary] Beginning December 1990, Sichuan Province implemented guaranteed prices for pork procurement (2.6 yuan per kilogram), the sales price for boneless pork in counties and districts dropped from 4.6 yuan to four yuan per kilogram, and in Chengdu the price dropped from 5.2 yuan to 4.8 yuan.

### Guangxi Pork Prices

91P30091B Beijing SHOU DU JINGJI XINXI BAO  
in Chinese 12 Jan 91 p 2

[Summary] In 1990 the procurement price of pork in Guangxi was about 3.6 yuan per kilogram, the market retail price was two to three yuan per jin, and the price for lean meat was 4.6 yuan to 4.8 yuan.

### More Rural Households Engage in Livestock, Poultry Raising

OW1902143891 Beijing XINHUA in English  
1400 GMT 19 Feb 91

[Text] Beijing, February 19 (XINHUA)—Over 1.54 million Chinese rural households are now specially engaged in livestock and poultry raising, compared with only 380,000 households five years ago.

Every year these households produce 11.7 billion yuan (2.34 billion U.S. dollars) worth of livestock and poultry products. Last year the average annual household income was 7,574 yuan, 1.5 times the figure five years ago.

These households, which account for only one percent of the total rural households in China, provide 4.8 percent of the meat, 15.7 percent of the dairy products and 10 percent of the eggs consumed in the country.

### Hebei Aquatic Products Output

91P30091F Shijiazhuang HEBEI RIBAO in Chinese  
9 Jan 91 p 1

[Summary] Estimated 1990 aquatic products output in Hebei Province is 215,000 tons, a 2.9 percent increase over 1989; of this amount, freshwater output is over 54,000 tons, a 6.5 percent increase and the ocean catch is over 160,000 tons, a 1.8 percent increase.

### Xinjiang Cotton Area, Output

91P30091E Beijing JINGJI RIBAO in Chinese  
8 Jan 91 p 1

[Summary] In 1990 the cotton area in Xinjiang totaled 6,410,000 mu, gross output was 423 million kilograms, and per unit area yield was 62 kilograms.

### **Jiangxi Farmer Income**

91P30091D Nanchang JIANGXI RIBAO in Chinese  
26 Jan 91 p 1

[Summary] In 1990 the per capita cash income (excluding income from savings and loans) of farmers in Jiangxi Province was 577 yuan, an increase of 300 yuan over 1985; and average farmer investment in production was 218 yuan.

### **Agricultural Management Structure Viewed**

HK1302124191 Beijing GUANGMING RIBAO  
in Chinese 16 Jan 91 p 3

[Article by Xu Fengxian (1776 6646 6343), Yuan Juying (5913 5468 5391), and Mao Zhichong (5403 1807 0394): "Adhere to the Socialist Orientation, Stabilize and Improve the Agricultural Two-Tier Management Structure of China"]

[Text] Abstract: The system of contracted responsibilities on the household basis with remuneration linked to output in agriculture is a form of system of production responsibility in the organization of the collective economy. The two-tier management structure of integrating collective centralized management with contracted decentralized management on the household basis in the organization of the collective economy will improve and develop the socialist agroeconomic system but not change the nature of the system of the socialist agricultural collective economy. Our present main task of developing the collective economy is not to implement systems other than the system of contracted responsibilities on the household basis with remuneration linked to output, but to provide household management with even better socialized services so that the potential and superiority of household management and collective centralized management can be brought into full play, the agricultural two-tier management structure can be improved, and a new organization of the collective economy with the organic integration of centralization and decentralization and with full vitality can be formed. [end abstract]

The Seventh Plenary Session of the 13th CPC Central Committee pointed out that the responsibility system with the system of contracted responsibilities on the household basis with remuneration linked to output as the main aspect suits the level of the rural productive forces of our country at the present stage and must be stabilized for a long time and improved constantly as a basic system. On this foundation, we must vigorously develop the socialized services structure, put the two-tier management structure with the integration of centralization and decentralization on a sound basis, improve it, and gradually strengthen the actual strength of the collective economy. In the light of the situation in the investigation and study of the rural areas of the provinces and municipalities, including Jiangsu, Zhejiang, Shandong, Henan, Shaanxi, Beijing, and Shanghai, this

article goes roughly into this issue so that others may come up with valuable opinions.

### **The Connotation of the Essence of the System of Contracted Responsibilities on the Household Basis With Remuneration Linked to Output**

The agricultural two-tier management structure with the system of contracted responsibilities on the household basis with remuneration linked to output as the foundation is the socialist agricultural collective enterprises' management structure with collective ownership of the means of agricultural production, including land, as the characteristic, with the village organizations of the collective economy as the main body, and with the system of household contracted responsibilities as the main content, and is the integration of peasant household decentralized management with centralized management by the organizations of the collective economy.

In implementing the system of contracted responsibilities on the household basis with remuneration linked to output in agriculture, household management is introduced into the organizations of the collective economy. This transformation suits the characteristics of agricultural production itself and the level of the agricultural productive forces of our country and it enables peasants to obtain management decisionmaking power, overcomes certain defects of the people's commune management structure, carries forward the positive results of the collective economy, and forms a two-tier management structure combining centralization with decentralization, with collective ownership of the means of production, including land, as the characteristic, with household management as the foundation, and with providing the village organizations of the collective economy with socialized services as the premise. On the one hand, it can give full play to the enthusiasm for household decentralized management, arouse the peasants' initiative for production, do a good job in agricultural production, and promote the division of labor and trades in the rural economy as well as the development of the planned commodity economy so as to create conditions for consolidating and developing the organizations of the collective economy; on the other hand, the system of contracted responsibilities with remuneration linked to output itself embodies a brand-new organization, organ, and operation mechanism with two-tier management as the characteristic and is a new form of practicing the rural collective economy discovered by the Chinese peasants under CPC leadership. It can give full play to the superiority of centralized management in the collective economy and meet the needs for the changes from merely solving the problems of clothing and food to becoming comparatively well-off and from the self-sufficient economy and substantially self-sufficient economy to the planned commodity economy and for the different levels of the development of the productive forces in the course of realizing agricultural modernization, and possesses strong vitality and extensive adaptability. It is an effective structure that can consolidate the organizations of the rural collective economy and

gradually achieve high-standard collectivization. The essence of the system of contracted responsibilities on the household basis with remuneration linked to output in agriculture is an important reform of the agricultural management structure and it changes the original form of excessively centralized and excessively rigid management in the organizations of the people's commune collective economy to the form of management with "the integration of centralization and decentralization and the household as the foundation" in the collective economy, namely the agricultural two-tier management structure. This by no means negates the organizations of the agricultural collective economy and the road of agricultural collectivization. In the system of contracted responsibilities with remuneration linked to output, the organization of the collective economy is regarded as a party that contracts a project to a contractor, the household is regarded as a contractor, the rights, duties, and obligations between them are regarded as the contents, the contract is regarded as a bond, and these comprise an organic whole. This organic whole is the new organization of the village collective economy. "Centralization" and "decentralization" are interdependent, promote each other, develop together, and unremittingly improve. The organizations of the collective economy are the main body of two-tier management and contracted household management is the foundation of two-tier management. Without any one of these two, the system of contracted responsibilities with remuneration linked to output cannot be established and the two-tier management structure does not exist. We may well say that without the organizations of the collective economy and without the function of centralization, the system of contracted responsibilities on the household basis will lose its main body, household management will virtually become the individual small-scale peasant economy, and we shall lose the positive results of agricultural collectivization practiced for over 30 years and deviate from the socialist orientation in agriculture. Likewise, without decentralized management under the system of contracted responsibilities on the household basis, peasants' enthusiasm for production cannot be brought into full play, the agricultural collective economy will lose its vitality, and full play cannot be given to the superiority of the collective economy. The achievements in rural reform over 12 years will, in a sense, be lost.

Practice repeatedly proves that "centralization" and "decentralization" are two basic points of the new system of the rural cooperative economy in the initial stage of socialism of our country. They complement each other and neither can be dispensed with. Without either one of them, serious consequences will be brought to China's rural economic development. The agriculture of our country stagnated in 1985. Although there were many reasons, the basic reasons were that centralization was divorced from decentralization, the organizations of the collective economy were negated and disintegrated, and, as a result, the functions of centralization and the superiority of the collective economy could not be

brought into full play. This lesson is extremely profound and we should draw the lesson.

The trend of "private ownership" thought spread at one time. People put forth the view that the organizations of the rural collective economy and different levels of centralized management should be abolished and they did their utmost to twist the nature of the system of contracted responsibilities on the household basis with remuneration linked to output and babbled: "It is necessary to develop agriculture, to deepen reform, to basically change the structure of the collective economy, and to pursue private ownership." "It is essential to restore peasants' private ownership of land so that the peasants can freely suit the market economy. On the foundation of private ownership, land should be merged to develop the rural commodity economy." "Collectivization practiced in the past hindered the development of the productive forces and must now be thoroughly negated. Private ownership is the only way leading to the commodity economy." We maintain that such views are very wrong. "Private ownership" will, on the whole, surely bring the agriculture of our country to a predicament. The private ownership of land will result in the merging of land, polarization of peasants, and aggravation of social contradictions, make the socialist relations between workers and peasants and between urban and rural areas face insurmountable difficulties, and put the national economy as a whole in a chaotic state. We recently conducted a sample investigation among peasant households in eight provinces and municipalities, including Jiangsu, Shandong, Shaanxi, Henan, and Beijing. The peasants who advocated stabilizing and improving the two-tier management structure and taking the socialist road of agricultural collectivization accounted for 95.2 percent of the total number of households investigated; the peasants who advocated abolishing the organizations of the collective economy and practicing private ownership of land made up 2.3 percent; and the peasants who said "we do not care" constituted 2.5 percent. It is thus clear that stabilizing and improving the two-tier management structure and taking the socialist road of agricultural collectivization is the historic choice of over 800 million peasants.

#### **Stabilizing and Improving the Two-tier Management Structure at the Level of Centralization and Decentralization**

At present, the universal state of the agricultural management structure of our country is that two-tier management is seriously inclining to the household management level, the organizations of the collective economy are disintegrated, the actual strength and functions of the centralized management level are very weak, and the operation mechanism of two-tier management has not been formed, so that only compulsory administrative intervention can be relied on to give play to the functions of "centralization" in many places. In the wake of the development of the rural commodity economy and changes in the internal and external environments for



agricultural production and management, the limitations and defects of pure household management itself became more and more conspicuous and its contradictions become bigger and bigger. In the light of experiences everywhere, we maintain that it is imperative to organically integrate the work of stabilization and improvement at the levels of "centralization" and "decentralization" and to distinguish the key points of stabilization and improvement at the two levels. Emphasis must be placed on stabilizing the system of contracted responsibilities on the household basis with remuneration linked to output, stress must be laid on improving the weak level of collective centralized management, and attention must be paid to setting up the organizations of the rural collective economy and putting them on a sound basis.

The introduction of the system of contracted responsibilities on the household basis with remuneration linked to output into the rural collective economy will absolutely not alter the nature of the collective economy, but is just the form to achieve the management of the collective economy that suits the development of the productive forces. This management structure has extensive adaptability and exuberant vitality, must be long stabilized as a rural basic policy and basic system, and must unremittingly improve. 1) It is necessary to stabilize and improve the land contract system. On the foundation of collective ownership of land, the land contract relations must be stabilized. So long as the contract method is rational and the masses are basically satisfied, the land contract relations must not change. If plots are too scattered to be cultivated, they can be suitably readjusted and divided into pieces according to the principle of equal quantity and equal quality, to facilitate farming and management. It is also necessary to prudently approach and have a strict grasp of the problems where readjustments are necessary because of the land needed for capital construction or changes in population. In places where there are conditions for developing moderate agricultural management, in the light of the will of the masses, proper readjustments can be made in line with local conditions, but must not be forcibly made regardless of conditions. The land of those who have engaged in other trades and who are unwilling to farm can be transferred with compensation by contract to the peasant households who are willing to farm. Whatever forms of contract may be adopted, it is essential to correctly handle the relations among the state, the collective, and the individual and to give full play to the peasants' enthusiasm. 2) It is imperative to stabilize and improve the distribution system of "guaranteeing state procurement of grain ordered, retaining enough grain for the collective, excess grain belonging to the individual" that embodies the nature of distribution according to work. Through the contracts, the contract peasant households' obligations of selling the grain ordered to the state and retaining the grain and money for the organizations of the collective economy must be integrated with the rights and interests of the contract land, all services

provided by the party contracting the land to the contractor must be defined, and the superiority of collective centralized management and the contract peasant households' enthusiasm for decentralized management must be brought into full play. It is essential to adopt effective measures to lighten the peasants' burdens so as to enable the peasants to get more material benefit and to get rich as soon as possible. 3) Measures should be taken to ensure that the peasants' management decisionmaking power remains unchanged. According to the state plan, peasants can engage in farming on contract land in line with local conditions; what has been reaped on the land by contract can be managed or sold by peasants where state policies permit; the peasant mechanism of accumulation of and input into land must improve, productive input in the year must be guaranteed, and the phenomenon of abandoning land and leaving land uncultivated must be curbed; the collective can organize and mobilize peasants in a centralized way to vigorously participate in constructive input that can improve conditions for production, so as to expand the accumulation of labor; and the governments and economic and technological departments at all levels must create good policies, environment, and material and technological conditions for peasants' independent management. 4) It is imperative to stabilize and improve the right of directional use of contract land in agriculture. We must pay great attention to economizing on arable land and under the premise of not affecting the agricultural ecological environment, encourage peasants to reclaim land for farming. When rural areas set up enterprises and peasant households build houses, they must basically adopt the principle of intensive development and strictly control the occupied arable land. Those who have occupied arable land must adopt the method of reclaiming land for farming or returning their occupied land for farming to make up the quantity of arable land occupied. 5) The system of transferring surplus agricultural labor in a planned way must improve. While the labor needed for carrying out intensive operation in agriculture is guaranteed, the surplus labor of peasant households is allowed, where necessary and possible, to do one or more jobs concurrently, to shift to other trades, or to engage in normal and lawful operations so that they can get rich through hard work and so that contract peasant households "can make up for deficiency in agriculture with the proceeds of industry (commerce, sideline occupations, and so on)." The organizations of the collective economy and local governments at all levels must unremittingly provide information, create conditions for the transfer of labor, and prevent labor from flowing in an unwarranted manner so as to affect social stability.

On the other hand, judging from the situation of the whole country, the level of collective centralized management was very weak in 1989. Our investigation reveals that about 18 percent of the rural areas of our country have set up organizations of the collective economy, implemented the two-tier management structure comparatively well, and built up comparatively



strong collective economic strength, and have a comparatively perfect service structure; about 20 percent have a certain village economic strength and can provide limited services; but about 62 percent have not set up organizations of the collective economy at the village level or else their organizations of the collective economy at the village level are very imperfect, and their collective economic strength is very weak, let alone providing services. As the organizations of the collective economy at the village level are not sound, weak collective economic strength results in a lack of cohesive power, and the superiority of collective centralized management cannot be brought into play. This will surely restrict the role of household management. Such a situation reflects in a concentrated way the weak links of our rural work in the last few years. The major questions here are: The building of the organizations of the collective economy at the village level is ignored; the strengthening of collective economic strength is neglected; the administration of contracts is ignored; organizational accumulation and input is neglected; and centralized services for the contract peasant households are ignored. These are conspicuously expressed in the facts that a fairly large number of village organizations are attended to by nobody, there is no money for work, and there are no regulations governing work, so that land control is chaotic, nobody helps peasant households resolve their many difficulties encountered in the course of economic development, farmland capital construction cannot be started, nobody coordinates and organizes the work of combating drought, draining flooded fields, protecting plants, and preventing plant diseases, nobody provides the necessary services before, in the course of, and after production, and so on. As contract peasant households fail to rely on the organizations of the collective economy, they are beset with difficulties in operation. However, the administrative organizations at the village level can only procure grain from peasant households; urge them to pay money, to sow, and to reap; enlist for military service; collect taxes; enforce family planning; and so on in a compulsory form, resulting in acute contradictions between cadres and the masses and piles of social and economic problems in rural areas. The peasants, therefore, urgently demand that the village organizations of the collective economy be set up and put on a sound basis as soon as possible, the two-tier management structure be further improved, and the functions of collective centralized management be brought into full play. These are the objective needs for the development of the rural productive forces and for the development of the rural commodity economy. With a view to fundamentally solving these problems, the rural economy workers at all levels must clearly understand the following three points in guiding ideology: 1) While continuously improving the external agricultural environment, they must place the focus of deepened reform in the rural areas; 2) in the course of deepening rural reform, they must shift the focus of work to stabilizing and improving the system of contracted responsibilities on the household basis with remuneration linked to output; 3) while stabilizing the system of

contracted responsibilities on the household basis with remuneration linked to output, they must place the focal point of improving work on building the rural organizations of collective economy and putting them on a sound basis and provide centralized services.

To improve the level of centralized management, to step up administration of contracts, to strengthen the collective economy, and to develop socialized services, it is imperative to build the village organizations of the collective economy and to put them on a sound basis. Without the organizations of the collective economy—a carrier, two-tier agricultural management will lose its main body; without the organizations of the collective economy—a party that contracts a project to peasant households, there will be no contract households, the system of contracted responsibilities on the household basis with remuneration linked to output cannot be established, and so-called “household contract management” will surely become the individual small-scale peasant economy. This is the basic knowledge of Marxist theory of cooperative societies. In the situation in which many local organizations of the collective economy in our country have been disintegrated and the functions of centralization have been weakened or have vanished, building the organizations of the collective economy and putting them on a sound basis has become the most important task of stabilizing and improving agricultural two-tier management with the system of contracted responsibilities on the household basis with remuneration linked to output as the foundation and has become the focal point of deepening rural reform. Considering the fact that the peasants of our country have the custom of engaging in production and operation on the basis of a community (a village), in the light of the will of the peasants, we can establish the village organizations of the collective economy with the villages or former production teams as units. Such village organizations of the collective economy can be called “rural economic cooperatives.” The present rural economy is not a pure agricultural economy and it includes agriculture, forestry, animal husbandry, sideline occupations, industry, commerce, and construction, transport, and service trades. In particular, township and town enterprises have suddenly appeared like a new force suddenly coming to the fore and have become a leading industry of the rural economy in the developed areas. The rural economic cooperatives must embark on all operations that it is inadvisable for the peasants to conduct and must organize and coordinate the township and town enterprises and other industries so as to develop them.

When we propose here that rural organizations of the collective economy should be set up and put on a sound basis, we absolutely do not advocate the restoration of the old structure, nor do we take the road back. We absolutely cannot shake the system of contracted responsibilities on the household basis with remuneration linked to output—the foundation—and weaken the role of household management and the ability of accumulation. The system of contracted responsibility on the

household basis with remuneration linked to output was implemented in those years because it was aimed at giving play to the enthusiasm of household management. This is a historic progress. We are now developing collective centralized management and placing emphasis on the integration of centralization and decentralization and on two-tier management because we want to tap even better the potential of the system of contracted responsibilities on the household basis with remuneration linked to output, to give full play to the superiority of the collective economy, and to further emancipate the rural productive forces. This is, no doubt, progress in the intrinsic significance of the socialist system. As to this problem, the leaders at all levels must seriously sum up historical experiences and explain it to the peasants so as to avoid confusion again.

#### **Giving Full Play to the Functions of Centralization of the Organizations of the Collective Economy**

Developing the village economy and strengthening collective economic strength is the key to giving full play to the functions of centralization of the organizations of the collective economy. If the village collective economy has no actual strength, the collective will lack cohesive power and attractive power, the superiority of the collective economy cannot be brought into play, and management, coordination, organization, mobilization, and services cannot be started. Here, we absolutely cannot take the old road of "massing a large number of people for the same project regardless of the cost and economic results" and "egalitarianism and indiscriminate transfer of resources," but should pay special attention to proceeding from local realities, rely on the development of production and the accumulations of the collectives themselves to strengthen collective economic strength, pay attention to exploiting new resources and opening new methods of production, give guidance according to separate situations, not be overanxious for quick results and not rush headlong into mass action.

Township and town enterprises are an important pillar of the rural economy and must be continuously supported and guided so as to make them develop healthily. All places must develop what are suitable for development and be gradually formed into the growing points of the village economy with their own characteristics. The collective economy must be strengthened step by step. It is necessary to help the villages with weak collective economic strength solve the problems of how to make a start. The main problems are that land and collective assets must be managed well, the collective must retain the amounts set by regulations, diversified economy and township and town enterprises must gradually develop, and the system of accumulation of labor and the system of depreciation of fixed assets must be put on a sound basis. Through many channels, the self-development ability of the organizations of the collective economy must be unremittingly strengthened. In places where conditions permit, township and town enterprises can implement the system of "making up for deficiency in agriculture with proceeds from industry" and "building

agriculture with proceeds from industry." We must continuously adhere to the principle of the coexistence of many kinds of economic sectors with the collective economy as the main body. We must protect the lawful operation of the specialized farming, livestock-breeding, and aquatic product-breeding households. We must guide, supervise, and manage the private enterprises, promote what is beneficial, check what is harmful, and protect their lawful rights and interests. Moreover, we must adopt appropriate measures to protect the interests of the employees so as to gradually narrow the gap between the poor and the rich and to eliminate the irrational situation in the big difference between the poor and the rich. Judging from the experiences we already have, to enable centralized management of the organizations of the collective economy to have regulations to follow and to give full play to centralized management, it is imperative to establish the following systems and to put them on a sound basis: 1) The system of contract administration. Through a perfect contract, the duties, rights, interests, and obligations of the party that contracts a project to a contractor must be further defined and the fulfillment of a contract with compensation, transfer with compensation, and input with compensation gradually realized so as to enhance the peasants' enthusiasm for controlling and using their contract land well. 2) The system of accumulation of labor. On the basis of the principle of "doing what one is capable of, reasonable distribution of burdens, taking what one thinks fit, and using what one thinks proper," the quantity of the accumulation of labor and voluntary labor provided by each laborer per year must be stipulated to guarantee farmland capital construction. In the accumulation of labor, money can be paid in lieu of labor provided, management of workers must be strengthened, and peasants' enthusiasm for collective labor must be aroused. 3) The system of financial management. It is necessary to step up straightening out the financial work of the villages whose financial work is chaotic and to establish a corresponding system so as to prevent graft and misappropriating and squandering money. 4) The system of cooperative funds. It is essential to seriously straighten out and recover the funds that have been originally accumulated by the collective or have been used by a small number of people without compensation and to turn them into the cooperative funds. We cannot simply adopt the method of recovering the farm cattle, farm machinery and tools, and so on that have been allocated to peasant households during the contract time, but the peasant households can be registered as shareholders and interests and dividends can be paid to them so as to use these funds in a living way. We must make efforts to use the other funds lying idle as circulation funds, but avoid adopting the method of apportionment to make the peasants' burden heavier.

To give full play to the functions of centralization of the organizations of the collective economy, we must mainly grasp the following several aspects of work well at present and for a period of time in the future:

1. It is essential to work out a unified plan for farmland capital construction and to strengthen the use and management of materials, technology, and equipment, including farm machinery and water conservancy and storage facilities. We must give full play to the superiority of the rural labor force and resources of our country and extensively mobilize, carefully organize, and start in a down-to-earth manner farmland and water conservancy construction when it is not a busy farming season. We must place the focal point of work and main energy, manpower, and material and financial resources on the maintenance and completion of the farmland and water conservancy system, renewal, and transformation in order to solve the questions of the ageing and disrepair of farmland and water conservancy facilities in a relatively short time. While giving full play to the benefit of the existing projects, we must vigorously make arrangements for the projects that are urgently needed so as to enhance our ability to resist natural disasters.

2. It is necessary to make rational arrangements for production, to organize comprehensive agricultural development in a down-to-earth manner, and to enhance comprehensive agricultural productive ability. We must place emphasis on the transformation of the medium-yield and low-yield fields and, at the same time, develop some uncultivated mountains, land, slopes, shoals, and rivers that are suitable for agriculture, animal husbandry, forestry, and fishery so as to expand new resources that can be used in agriculture. It is essential to take further measures to protect arable land and other agricultural resources. Mountain areas must mainly build level terraced fields, harness small basins in a comprehensive way, and prevent soil erosion; plains must mainly level land, divide fields into plots, and complete the farmland and water conservancy system; and low-lying land and land that is liable to flood must mainly prevent waterlogging, improve the alkaline soil and saline soil, and put the drainage and irrigation system on a sound basis. In the light of their own actual situation, all places must work out a plan for comprehensive improvement and development and carry out the plan by stages and in groups, with emphasis laid on the major projects. The guiding ideology for comprehensive agricultural development must be all-round development of agriculture, forestry, animal husbandry, sideline occupations, and fishery with an increase in the output of grain, cotton, oil, and meat as the center; comprehensive improvement of mountains, rivers, forests, fields, and roads with the integration of economic results, social benefit, and ecological benefit; conducting large-scale management of the newly developed resources as far as possible; implementation of the system of contracted responsibilities of the party that contracts a project to contractors and for management, operation, science, and technology; formulation of the policy of encouragement to arouse the peasants' and science and technology personnel's enthusiasm for participating in development; the necessity of concentrating plots, unifying plans and construction work, and setting a high standard in regional development.

3. It is imperative to start unified service work for the contract peasant households. On the basis of the principle of "centralizing what is suitable for centralization, decentralizing what is suitable for decentralization," we must organize unified service work seriously and well for every household that faces big difficulties in its production links and before and after production and in the aspect of popularizing agricultural science and technology. In line with their local conditions, the village organizations of the collective economy must determine their service items, define the service standard, and determine the mode and time of service, responsible cadres, and method of reward and punishment. They must also do a good job in democratic appraisal and the supervisory system to ensure that they publish their plans at the beginning of the year and the results of the work at the end of the year. They can thus really achieve centralized management and service work. They must also be good at combining and organizing the forces of all quarters to provide the contract peasant households with services.

4. It is necessary to strengthen rural ideological and political work and to apply socialist ideology to occupy the rural position. Practice repeatedly proves that to develop the rural economy, it is imperative to strengthen ideological and political work. We must regard socialist ideological education as the basic contents of the building of rural spiritual civilization and conduct it protractedly and penetratingly. We must publicize the party's basic line in depth, propagate the effective rural basic policies, and disseminate patriotism, collectivism, and socialism. The focal point here is to teach the party members, cadres, and peasants to strengthen their conviction in socialism; to lead the masses to rely on their own efforts, to struggle hard, and to take the road of getting rich through hard work and becoming well-off together; to teach the masses to correctly understand the socialist nature of the system of contracted responsibilities on the household basis with remuneration linked to output implemented within the organizations of the collective economy; to cultivate the spirit of collectivism; to correctly handle the relations among the state, the collective, and the individual; and to unswervingly take the road of agricultural collectivization. It is necessary to especially teach the rural cadres at all levels to establish the idea of wholeheartedly serving the people, to improve their thinking, style of work, and method of work, to keep close ties with the masses, and to improve the relations between the cadres and the masses so as to meet the needs in building the two rural civilizations, carrying out reform, and opening up.

#### **Further Doing Socialized Service Work in Agriculture Well**

The development of socialized services is the need in the development of the rural social productive forces and the planned commodity economy of our country as well as the need in stabilizing and improving the agricultural

two-tier management structure with the system of contracted responsibilities on the household basis with remuneration linked to output as the foundation. In rural work, we must conform to such needs and rely on the strength of the organizations of the collective economy to do socialized service work seriously and well so as to ensure that the rural areas of our country will advance continuously along the socialist road. If we give up socialized service work and do not promptly help every household resolve its difficulties, the enthusiasm for household management cannot last long exuberantly, the system of contracted responsibilities on the household basis with remuneration linked to output can hardly be stabilized, the two-tier management structure cannot be complete, unwarranted agricultural production will surely be increased, and further development of the rural economy will be restricted, resulting in all contradictions being aggravated and rural economic development going astray. Without the vigorous socialized service structure, the system of contracted responsibilities on the household basis with remuneration linked to output cannot be stabilized and the two-tier management structure can hardly have new vitality and development on the foundation of stability.

In recent years, theoretical circles have had a view that the integration of peasant household management and socialized services is the agricultural two-tier management structure. Such a statement is inappropriate. The connotation of the "two-tier management" structure refers to the centralized management level of the organizations of the collective economy and the decentralized management level of the contract peasant households. The organic combination of these two management levels constitutes the form of management practiced in the agricultural collective economy and possesses the attributes of the agricultural management structure. Socialized services are merely one of the contents of the service functions of "centralization" of the organizations of the collective economy as well as an important measure for stabilizing and improving the two-tier management structure. The organization of the collective economy is a carrier of socialized services and without such a carrier, socialized services cannot be achieved smoothly. On the other hand, as a system, agricultural socialized service work includes the services in the organizations of the collective economy, the services of the economic and technological departments at all levels of the state, and the services provided by the other economic entities in society to the peasants. Only the services of the organizations of the collective economy and the services among the contract peasant households can be included in the sphere of the "two-tier management" structure. Therefore, the view that the service functions of centralization of the organizations of the collective economy are not mentioned is wrong.

It is because the services provided by the organizations of the collective economy are limited that the development of socialized services must be grasped as a focal point of deepening rural reform. The party committees

and governments at all levels, particularly the county and township party committees and governments, must vigorously organize the development of socialized services, provide a good macroenvironment for stabilizing and improving the agricultural two-tier management structure, and build a network of socialized services with the services of the rural centralized management level of the collective economy as the foundation, with the services of the state economic and technological departments as a backing, and with the other social service forces as a supplement. On the basis of necessity and possibility, they must bring socialized services into play and help and guide the contract households to do a good job in operation. They must vigorously help the rural organizations of the collective economy provide services urgently needed by the peasants, gradually extend the service contents according to the increase in the collective economic strength, and give play to the role of socialized services as a link between the peasant households, state economic and technological departments, and all professional service organizations in society.

In this aspect, the "agricultural two-way contract responsibility system" implemented by Zhengzhou and Jiaozuo of Henan Province and Zhangjiagang City and Wuxi County of Jiangsu Province is a good form. On the foundation of striving to give play to the centralized management functions of the rural organizations of the collective economy, these places have centered on all items of agricultural production. Proceeding from reality, their cities, counties, townships, villages, and households have determined their tasks and quotas and signed contracts. The upper levels have signed contracts with the lower levels for the supply of the means of agricultural production and for providing services, including the aspects of technology and capital. The lower levels have signed contracts with the upper levels for the fulfillment of the quotas for farming, output, and procurement by order and the other economic quotas. The governments at all levels must divide the service items among the relevant economic and technological departments and implement the system of responsibility for quotas and management. According to the system of reward and punishment, they must guarantee the realization of two-way responsibility, power, and interests. The agricultural two-way contract responsibility system organically combines science, technology, financial resources, manpower, and material resources; puts the complete farmland and water conservancy system into operation; pushes forward the improvement and stabilization of the rural two-tier management structure; and promotes the development of agricultural production and prosperity of the rural economy.

At present, the rural work as a whole has ushered in an extremely important period and the peasants are calling for the agricultural two-tier management structure with the system of contracted responsibilities on the household basis with remuneration linked to output as the foundation. We must seize the opportune moment to unify our understanding, take effective measures as soon

as possible to strengthen leadership over the rural work as a whole, and shift the focal point of deepened rural reform onto the correct track of setting up the organizations of the collective economy, putting them on a sound basis, stabilizing and improving the system of contracted responsibilities on the household basis with remuneration linked to output, and developing socialized services.

### **Sichuan Peasants' Income Increases 1986-1990**

*HK1302113691 Chengdu Sichuan Provincial Service in Mandarin 1015 GMT 12 Feb 91*

[Text] Our province's peasants' income increased steadily during the Seventh Five-Year Plan period.

A sample survey conducted by the provincial rural investigation team shows: During the Seventh Five-Year Plan period, our province's rural economy witnessed an appropriate growth with the result that the peasants' income also increased steadily.

In 1990, the per capita net income of peasants reached 557.76 yuan. With price increases factored in, the per capita net income of peasants gained an increase of 71.28 yuan over the end of the Sixth Five-Year Plan, representing a 22.6-percent increase and an average annual increase of 4.2 percent. The per capita cash income of peasants also exceeded 520 yuan, representing an increase of 245 yuan and a 89.4-percent increase within a period of five years. With price increases factored in, the actual per capita cash income of peasants gained an average annual increase of 7.9 percent.

The main reasons behind the increase of peasants' income are:

1. The rural industrial structure was gradually rationalized with the result that the peasants could earn money through more channels;
2. The commodity agriculture witnessed further development with the result that the commodity rate of farm products was raised further;
3. The rural village enterprises witnessed a healthy development with the result that the amount of income earned by peasants from the rural village enterprises increased steadily.

### **Boost in Grain Harvest, Animal Husbandry Forecast**

*HK1302013391 Beijing CHINA DAILY in English 13 Feb 91 p 1*

[By staff reporter Wang Dongtai]

[Text] China's 1990 bumper corn harvest will aid the production of meat and dairy products, according to officials of the Animal Husbandry Department of the Ministry of Agriculture.

The target for this year's output of meat is set at 27.4 million tons. Pork, beef and mutton will account for 24.1 million tons. The amount of meat produced in 1990 was about 26.7 million tons.

The government plans a significant increase in the production of beef, mutton, poultry and rabbit meat by the middle of the decade. In the past, the government paid great attention to the production of pork, traditionally preferred by Chinese people.

However, pork production requires more grain than other kinds of meat. By the end of 1995, pork is to be cut from 84 percent of the total meat output to 77 percent. Efforts will be made to have the proportion of poultry and rabbit meat increase to 14 percent. Beef and mutton will account for another 9 percent.

The plan for milk production in 1991 is 5 million tons compared to 4.7 million tons in 1990. Wool will go from 240,000 tons to 249,000 tons.

The total production value of animal husbandry is planned to be 78.7 billion yuan while last year's production value was 75.6 billion yuan.

Officials said that although animal husbandry in China faces a shortage of funds, problems in production and in commercial system and price reform, advantages still exist for further development.

A bumper grain harvest in 1991, especially a good harvest of corn, will increase feed resources and contribute to the increase in meat output this year.

To support meat production, the government will continue to subsidize prices for 3 billion kilograms of grain used as feed and allocate special funds for lean pork production bases.

### **Article on Improving Two-Tier Operations**

*HK0802111991 Nanchang JIANGXI RIBAO in Chinese 17 Jan 91 pp 1, 2*

[Article by Bai Dongcai (4101 2767 2624): "Making the Best Use of the Situation To Complete the Magnificent Project of Improving the Two-Tier Operations"]

[Text] Recently, I went to several prefectures and counties with comrades from the Policy Research Office of the provincial party committee, and conducted some surveys on the problem of improving two-tier operations in the rural areas. We held meetings with some cadres at the prefecture, county, township, and village levels, and visited several villages. Wherever I went, my impression was: It is necessary step by step to improve the system of two-tier operations, and this has become a common sentiment among the masses of people and cadres. If this job is done well, the "nose of an ox" is grasped as we deepen the rural reform. Various localities have made efforts in exploring this aspect, and have done a great deal of work; the direction is becoming clear, and so is

the idea. The work is more refined now, and the main trend of development is healthy and normal.

However, it is nevertheless an arduous and complicated systems engineering to improve two-tier operations, and its development will inevitably meet with various problems. During the investigation, we discovered some current conditions which are worthy of our attention. On the problem of how we should treat "centralization," some cadres still have some misunderstandings: One misunderstanding is that they mistakenly see contracted management on household basis as "dividing farmland and going it alone," therefore they see the work in improving the system of two-tier operations and the work in strengthening centralized operation as correction of mistakes in rural reform. Another mistake is that they think the lack of agricultural growth in recent years was due to the exhaustion of the potentials of household operation, therefore an outlet must be sought somewhere and centralized operation must be strengthened. There is also an opinion which holds that after the all-round contract system is implemented, peasants' self-determination rights in production and operation will be too great: "When peasants have self-determination right, cadres have no commanding right," and it will be difficult to serve as a cadre and to do rural work. Therefore, it is necessary to strengthen the function of centralization. Because of these misunderstandings, some corresponding problems arise from the work in some localities and we must pay attention to them. For example, when strengthening the work in centralizing operation, no effective arrangement is made for steadily upgrading the standard of contracted management on household basis. When developing village economy, no concrete arrangement is made for providing services to peasant households. When handling the relations of interest, the strengthening of centralized operation is set against the respect for peasants' self-determination right. Meanwhile, the number of cases of compulsory orders and violation of peasants' interest is increasing. In these localities, peasants say they "want centralization but are afraid of it," or even "become more scared when the reform is deepened more." These conditions tell us that to improve the system of two-tier operations, it is necessary to encourage bold exploration and innovative work on the one hand, and strengthen correct leadership and prevent mistakes and misunderstanding on the other.

Although the idea of improving two-tier operations was put forward long ago, in the past it was mainly diversified household operation which was implemented, and centralized operation was implemented only recently. To complete this magnificent project, we have to discuss and look into many problems. There will be a relatively long process of practice while our thinking, understanding, and various measures must also be verified by practice and gradually improved and upgraded through practice. Here, based on the situation I discovered from the survey, I just want to express some of my opinions on

the problems related to ideology and understanding, for the reference of the provincial party committee and provincial government.

#### **I. A Further Understanding of the System of Contracted Household Responsibility Related to Output Is a Prerequisite to Safeguarding a Healthy Development of the Work in Improving Two-Tier Operation**

The system of contracted household responsibility related to output has been implemented for 10 years, but the problem of understanding it has not been totally solved. The problems currently arising from the work in improving two-tier operations have their roots precisely from there. Therefore, we should first continue to seek an understanding of this problem.

Judged from the current situation, it is necessary to launch restudy and new propaganda on the theory of appropriate separation between ownership right and operation right proposed by our party. The theory of separation of two kinds of right is an innovation by our party in the development of Marxism, and a main theoretical basis for the practice of the all-round contract system. A review of this theory is of great significance to unifying thinking and understanding. As far as I can see, at present, two problems must be solved. First, the problem of understanding the general nature of the system of contracted household responsibility related to output. The system of contracted household responsibility related to output is itself a two-tier operation system based on household and integration of centralization and decentralization. Some comrades divided this integral whole, and thought that "centralization" means collective economy and upholding of socialist direction, and that "decentralization" means "dividing farmland and going it alone" and giving up socialist direction. This conclusion is derived from mixing up ownership right and operation right. Marxist politico-economic theory tells us that ownership system, not operation style, determines the nature of an economy. After the system of contracted household responsibility related to output is implemented, operation is carried out through households which are the contracting units, and distribution takes on a simplified and direct style. But ownership of the most basic means of production in the rural areas, that is, land, is still in the hands of collectives, and peasant households have the right to use the land only. This materializes separation of ownership right and operation right. The products turned out by peasant households must first fulfill the state's quota, then the collective's quota, then they can keep the rest for themselves; this embodies the socialist principle of distribution according to work. Therefore, the system of contracted household responsibility related to output has adhered to the socialist direction, and regardless of which tier—centralization and decentralization, it is a component part of collective economy in the rural areas. At present, to properly understand the system of contracted household responsibility related to output, I think we should first see it as a tier of operation of collective economy in the rural areas, and a grass-roots

tier as well, and should never see it as individual economy. On this premise, we should also see that it is only an operation tier of collective economy in the rural areas, that having only this tier is not enough, and that we must step by step improve the work in the centralized tier of operation. Only by doing so can we have a more integral development of collective economy in the rural areas.

Second, the problem of whether decentralized household operation is an expedient measure. Some comrades noticed the lack of agricultural growth in the past few years, and the limit appearing from household operation. Therefore they thought household operation is only suited to the poor level of productive force, and that this style is not suitable for the development of modernized commodity production. The fact is not like that. Is it not true that the productive forces in the United States, Western Europe, and Japan are highly developed? Agriculture in these countries takes household operation as its basic form, and the difference is only in the ownership of farms, the scale of operation, and production methods. In our country, the coastal region differs from the interior in the level of productive force, and in the rural areas, both have household operation as a basis. In our province, we notice that household operation can accommodate the production elements of a lower level, as well as the advanced science and technology of a higher level. To blame household operation for the lack of agricultural growth in the past few years is to ignore the facts. Conversely, when our country was facing a seriously over-heated economy, imbalance in total quantity, unbalanced proportion, and a weakened prime position of agriculture, it was the great function of household contracting that stopped a bigger slide in agriculture and supported a sustained development of the overall economy. Facts indicate that the vitality of household operation comes basically from its ability to meet the special demands of agricultural production itself, therefore it is suited to different ownership systems and levels of development of productive force. Therefore, the practice of household operation is never an expedient measure, but is a major policy which should be upheld for a long time; it will probably accompany the whole process of our country's construction of socialist and modernized agriculture. Of course, to say household operation remains unchanged for a long period is not to say that contracted household operation is totally perfect. Contracted household operation has its own limits and must be further improved.

If we can really and completely solve the two problems mentioned above, we will have a firm ideological basis for upholding the correct direction when we try to improve two-tier operations and even carry out other reforms in the rural areas.

## **II. The Main Purpose of Strengthening the Centralized Operation Tier Is To Provide Services to Peasant Households, and Further Develop the Potentials of Contracted Household Operation**

To strengthen centralized operation is a prerequisite to improving the system of two-tier operations. At present,

various sides are working hard on it. On the problem of how to strengthen it, there are roughly three basic ideas and measures: First, start from strengthening the economic strength at the village level; second, start from strengthening administrative intervention; third, start from strengthening the function of service. I think that no matter from where we start, the main principle is to consider a measure which is suited to local conditions. The concrete style and measure can be explored. However, the guiding thought and purpose should be clear. Otherwise, a good thing might not be done well. I support the following point of view: The purpose of strengthening centralized operation is to better provide various services to household operation, to solve the problems which cannot be properly solved by individual households, and to further develop the potentials of contracted household operation and collective centralized operation. The starting point of all our policies and works in the rural areas, and their ultimate goal, is to be beneficial to promoting the development of productive forces. Judged from the angle of protecting productive forces, contracted household operation has become a most basic, general, and important operation style in the rural areas; the peasants are satisfied with this operation style, and it has contributed to changing the long situation of poverty and backwardness in the rural areas. If we are careless in the work of strengthening centralized operation, and weaken or shake contracted household operation when carrying out some concrete measures to the extent that we cause emotional instability among peasants, then we might jeopardize the stability in the rural areas or even in the whole society. Judged from the angle of developing productive forces, the limit of household operation can only be overcome by strengthening service, and the potentials of household operation can only be further developed through strengthening service. During the survey, I learned a message from the peasants: They think the shortcoming of "decentralization" is the difficulty in doing this and that, and their interest in "centralization" is the service it provides. We can put it this way: A proper provision of service is a link between centralization and decentralization, a banner for bringing a closer tie between cadres and people, and a "catalyst" promoting the development of productive forces. Of course, there is also a need to develop the centralized operation tier, so as to arouse the two enthusiasms for developing rural economy. According to the principle that those which should be centralized must be centralized, and those which should be decentralized must be decentralized, in the rural areas there are some production domains, especially some development projects, which can only be effectively carried out through collective and centralized organization and operation. Fundamentally speaking, this is also to provide service to the peasant households. Therefore, as we strengthen centralized operation, we must uphold the guiding thought which centers on service.

Some comrades say that service depends on economic strength. At present, however, the strength of collective operation is generally weak; therefore, it is necessary to



concentrate strength to first develop the economy at the village level. I think that this opinion is reasonable. During the survey, I went to Kengshang Village in Lanfang Township, Gaoan County. This village's collective enterprises produced an annual output value of more than 7 million yuan. Because of the great strength of collective operation, the service to peasant households is very well done. The village has basically materialized the goal of turning all the land into farms and orchards, of planting trees along all roads and canals, of automatic irrigation, of mechanized farming, of planting regional crops, and of scientific cultivation. There are many typical cases of good collective enterprises and services; for example, Zhuliang Village in Nancheng County, and Gaokeng Village in Pingxiang City. This indicates that economic strength is really an important condition for running the service well, and that the stronger the economic strength, the wider the scope of service, and the better the service. However, nothing is absolute. First, you have money, but not the mind of service, and you may not run the service well. In some villages, they have money, but a minority of cadres "ate them all, grasped them all, and spent them all," and the work in service is still not done well. Second, even if you do not have money for the time being, you can still think of some way to develop service. Some service projects do not necessarily require money or a lot of money; they can be run well if some people diligently and seriously run them. Furthermore, the effort to increase the strength of collective centralized operation does not confine itself to developing only productive enterprises; it is totally possible to integrate itself with the effort in developing service. I think, at present, it is necessary to develop village-level collective economy through providing services to peasant households before, during, and after production. This understanding comes from the survey. Originally, Chenjia Village in Xujia Township of Nancheng County, and Huayang Village in Xiangcheng Township of Gaoan County were very weak in their strength of collective centralized operation. Amid the craze for actively developing village-level enterprises, they opened new paths, started from developing some simple service projects urgently needed by the masses (such as buying chemical fertilizer, pesticide, and good seeds for them), and gradually accumulated funds, and again gradually increased service items. The peasants were satisfied, while village-level income also increased. Last year, income from the service alone enabled Chenjia Village to earn more than 20,000 yuan and Huayang Village to earn some 120,000 yuan. Here, we can see that even in places where village-level collective operations are comparatively weak, service work can be launched and done well. At present, many localities are trying hard to develop village-level economy. This is undoubtedly correct, but we cannot wait for a few years, or wait until we have developed village-level economy and the money to develop service. We must organically integrate the work in village-level economy and the work in service, and we cannot use any pretext to relax the demand on the current service work.

### **III. We Must Firmly Grasp the Integration of Centralization and Decentralization, and Work Hard To Improve the Standards of the Two Operation Tiers Which Are Mutually Promoting and Mutually Dependent**

Since the system of contracted household responsibility related to output has been in practice, in some localities people have paid attention only to developing the tier of "decentralization," and neglected the strengthening of the function of "centralization." In fact, they have turned two-tier operations into "one-tier operation." This is a mistake. At present, some localities have completely shifted their attention to the tier of "centralization," and only talked about stability of household operation, but not improvement and advancement; or they even let household operation develop in its own way. Some localities have even adopted restrictive measures to gradually reduce household operation, and have seemingly gone their own way. I think that this is also a mistake. At present, it is absolutely necessary to appropriately strengthen the tier of centralized operation, but the improvement of the tier of "decentralization" should not be ignored. We must uphold the grasping of the two together, and prevent fluctuation between extremes.

In the process of perfecting two-tier operations, Nanfang County upheld the policy of strengthening centralized operation on the one hand, and stabilizing and developing household operation on the other. It paid attention to directly linking the development of village-level economy to the interest of peasants, fostering a trend in which the two tiers developed together and promoted each other. The 176 administrative villages in the whole county have built 213 village-run plantations and orchards, and are building 35 more; some 87,000 mu of land are planted with fruit trees. At the same time, in the whole county, 15,748 peasant households (43.7 percent of the total number of peasant households) have established small household plantations or orchards; on the average, each household has 3.8 mu, forming some scale of agricultural exploration. The good experience acquired by Nanfang County is that it has grasped the center of the problem of improving two-tier operations; that is, organically integrating centralization and decentralization, and adapting to the internal law of development of two-tier operations. Although two-tier operations is an overlapping two-tier structure in its manifestation, in its content we see decentralization within centralization and centralization within decentralization; the two are mutually dependent and mixed together into one. Neither the tier of centralization nor the tier of decentralization should crystallize itself, separate itself from the other one, expand at the expense of the other one, or oppose the other acutely; they should be a condition to each other, promote each other, and supplement each other. In the final analysis, the degree of integration of two-tier operations determines the degree of perfection of two-tier operations. Otherwise, it is not a perfection in the original sense. At present, people notice that the slow development of centralized



operation has a restraining impact on individual household operation, and they are trying to strengthen the former, which is an advancement. But we must further realize that the foundation of centralized operation is household operation. At present, we say household operation has developed quite adequately, but we say it only in a relative sense. Whether seen from industrial structure, combination of production factors, or the level of production and operation, no matter from which angle it is viewed, household operation is still at a poor level of development, and there are many problems which have been left unsolved. Therefore, we should pay attention to two points in concrete work: First, as we try to improve centralized operation, we should consider the level of decentralized operation in the locality, and really be able to centralize those which should be centralized, and decentralize those which should be decentralized. Second, we should seriously solve the old problems and new conflicts related to household operation, and continue to take effective measures to further develop the tier of household operation. Only when the level of household operation is being continually improved can new demands be made continually on centralized operation and the channel of centralized operation be widened, so as to enable the two tiers of centralization and decentralization to develop amid integration, and integrate amid development, forming a good cycle.

#### **IV. When Improving Two-Tier Operations, Attention Must Be Paid to Arousing the Enthusiasm Among Cadres and Peasants**

When improving two-tier operations, we should pay attention to arousing enthusiasm among cadres on the one hand, and to arousing enthusiasm among peasants on the other. To solve this problem, we should start from upgrading the peasants' consciousness and the cadres' quality.

After the system of contracted household responsibility related to output has been implemented, there are indeed some peasants who have had an unclear state and collective mentality, and some even wrongly think that "work quotas assigned to households by contracts means there is no need for cadres." This undoubtedly makes it more difficult to improve two-tier operations and to carry out overall rural work. Some peasants have reacted strongly to "eating from the big pot" and "lumping together," therefore they are nervous about the idea of strengthening centralized operation now being proposed. This is quite natural. Our duty now is to distinguish different situations, carry out education for peasants with emphasis on certain points, and enable the great masses of peasants to understand the following: Contracting output quotas to households does not mean dividing farmland and going it alone. Peasants should safeguard their own legitimate interests on the one hand, and voluntarily fulfill obligations toward the state and collective on the other. Decentralization and centralization are closely related; now we are strengthening the function of centralized service in order to better consolidate and develop diversified household operation and

to fully arouse the eagerness for reform and enthusiasm for production among the great masses of peasants. This is different from the past pattern of "eating from the big pot" and "lumping together."

At present, rural grass-roots cadres have shown greater enthusiasm in the work of improving two-tier operations. We must protect and encourage their enthusiasm, fully understand their difficulties, and actively support their work. Meanwhile, I must point out that, generally speaking, the rural grass-roots cadre contingent is good; however, there are some cadres who do not meet the requirement for improving two-tier operations, either in terms of their way of thinking or work method. Therefore, we should pay attention to arousing and protecting the enthusiasm among rural grass-roots cadres on the one hand, and to strengthening guidance and earnestly helping them to upgrade quality on the other.

At present, in order to develop the enthusiasm among cadres and peasants, the main task is to properly handle the relations between strengthening centralized operation and respect for the peasants' self-determination right in production and operation. This is a key to guiding the cadres' enthusiasm to a healthy direction, and a necessary demand for stimulating the peasants' enthusiasm. At present, some localities have not properly handled these kinds of relations. For example, some localities did not pay attention to local conditions, and arbitrarily carried out "centralization," centralizing many things which many peasants did not want to be centralized. Some localities did not follow regulations when using accumulative labor, and exceeded quotas at their own discretion, transferring labor to build town-run or even county-run enterprises gratis. Some localities used development of village-level economy as an excuse to take back the land, orchards, and other operation items which have been contracted out. These measures cause grievances among peasants, and to some extent stir up a sense of instability among them. It must be made clear that the enthusiasm for production among the great masses of peasants is the basic motive force for overall agricultural development. At present, any "centralization" measure or work must be considered and arranged against the background of respecting peasants' self-determination right in operation, and of maintaining the stability and development of household operation. One of our important achievements made in the 10-year reform is that the problem of peasants' self-determination right in production and operation is properly solved. As we deepen rural reform, we should cherish and consolidate this achievement. It is necessary to strengthen guidance and planning for diversified peasant household operation, so as to overcome its blindness and randomness. But we must fully respect the peasants' self-determination right, and step up education and do the work well, guiding peasant household operation to the track of planned commodity production. The improvement of two-tier operations should never pay a price as high as jeopardizing the enthusiasm among peasants.

otherwise, productive forces will stop growing or even fall back. We must have a sober understanding of this problem.

**V. Improvement of Two-Tier Operation Is a Progressive Process, and We Should Not Seek Instant Results; It Must Be Integrated With the Building and Perfection of an Agricultural Socialized Service System, and Develop Gradually**

Every matter has a developmental process, and the improvement of two-tier operations is no exception. We need a sense of urgency and positive manner on the one hand, but on the other hand we must not go too rapidly and spoil everything. We must obey the party's ideological line, consider everything from the practical situation, and be pragmatic when improving the system of two-tier operations according to the objective law of development.

At present, there are four links which we must grasp: First, proceed from the actual production levels in various localities, define the key points in improvement of two-tier operations, and avoid "cutting across the board" measures. Second, pay attention to the characteristics of different industries. The work in centralization is very concrete and complicated, and different industries have different demands on the content and style of centralization. For example, Tonggu County adopted a shareholding system to develop green enterprises; it runs village cooperative plantations, mobilizes people to develop the mountains, sets prices and attracts shares, distributes bonuses according to shares, maintains the right over the mountains, and protects and manages business together with people, to solve the problem of centralization and decentralization. Zhangshu City practiced "five centralizations and six fixings" [wu tong lu ding 0063 4827 0362 1353] to assign contracts for aquatic business. Jinxi County implemented the "Silkworm and Mulberry Project" with 70 percent centralization and 20 percent decentralization. Even if farmland operation is the same everywhere, the contents of centralization and decentralization in various localities are different. Xiangwan County adopted 10 centralization measures and 10 decentralization measures, while Tongxiang County practiced five centralization measures and five service measures. I think, to assess the function of centralized operation, the crucial point is to see whether it is beneficial to promoting the development of productive force, and whether an absolute majority of peasants are satisfied. Third, the centralization carrier should not be confined to a single model; if the level of town is appropriate, do it there; if the level of village is appropriate, do it there; and if the level of production team is appropriate, do it there. Because the production team of villagers has a smaller scale, plus the fact that the influence of the past practice of "three-level system of ownership of the means of production—ownership by the commune, by the production brigade and by the production team, with the last as the basic accounting unit" still exists psychologically, politically, and economically, therefore, we should not neglect the

role in strengthening the function of centralization played by the production team of villagers. Fourth, do not dash out to seek purity. On the one hand, as we develop rural economy, we should continue to uphold the policy of taking collective economy as the mainstay and allowing various economic sectors to coexist, continue to encourage a healthy development of individual economy, and protect the legitimate interests of private economy. On the other hand, as we develop the organizations for rural service, we should not think the "bigger" the "fairer," and the "purer" the better. A strengthening of the function of centralized service is the basis for establishing and improving agricultural socialized service system, but it is not enough to only have collective centralized service. We should also advocate the idea of the state, collective, and individual advancing together, mobilize various economic strengths to run socialized service well, gradually form a multi-level, multi-style, integrated, sophisticated, and open a rural socialized service system that is based on collective centralized service at the level of village production team. This must be dependent on the "six stations, two cooperatives, and one company" at the township level, and the state's economic and technological services departments at the county level; supported by various professional services organizations, individual services organizations, and associated services organizations; and linked by interest as a mechanism.

One more problem exists. We should step by step draft some rules and regulations that will enable the work in improving two-tier operations to have rules to follow and to enter the track of ordered development. This is a general demand by the rural cadres and people. Of course, nowadays, it is difficult and not feasible to enforce something like the "60 regulations." However, in a county, a prefecture, or even a province, proceeding from summing up currently available experiences, it is still possible and necessary to standardize and crystallize some measures and experiences which are proved to be quite successful and which the people have been generally concerned about. Some localities have already done so, some localities are doing this work; I hope more localities will attach importance to this work, and pay attention to continually summing up experiences and perfect them.

**PLA Grain Output**

91P30091C Beijing JINGJI CANKAO BAO in Chinese  
25 Jan 91 p 1

[Summary] According to the General Logistics Department, in 1990 the PLA produced 700 million kilograms of grain and soybeans; 146 million kilograms of meat, eggs, and fish; 34,340,000 kilograms of edible oil; and 660 million kilograms of produce.

**Yunnan Sugar Output**

91P30090G Beijing NONGMIN RIBAO in Chinese  
28 Jan 91 p 2

[Summary] During the 1990-1991 pressing season, cane sugar output in Yunnan Province will be 630,000 to 650,000 tons, an increase of 140,000 tons over the previous season. This pressing season commercial departments in Yunnan will procure 308,000 tons of sugar. Because the Ministry of Commerce and Communications has stipulated that Yunnan may only sell sugar within Yunnan and to Sichuan and western Guizhou, the remaining 300,000 tons will be difficult to sell.

**1990-1991 Sugar Output**

91P30090F Beijing NONGMIN RIBAO in Chinese  
28 Jan 91 p 2

[Summary] Estimated sugar output during the 1990-1991 pressing season in Guangdong, Guangxi, Hainan, Fujian, and Yunnan is 4,612,000 tons, a 14.77 percent increase. Including output from Sichuan, Jiangxi, Hunan and beet output of over 1 million tons from seven northeastern and northwestern provinces, gross output of sugar this pressing season may exceed 6 million tons.

**Ningxia Grain Procurement**

91P30091A Yinchuan NINGXIA RIBAO in Chinese  
19 Jan 91 p 1

[Summary] As of 5 January, Ningxia had procured 520,520,000 kilograms of grain, exceeding the task by 58 percent.

**Henan Sesame Output**

91P30090E Zhengzhou HENAN RIBAO in Chinese  
23 Jan 91 p 2

[Summary] In 1990 sesame output in Henan Province was 125,000 tons. At present, Henan has about 50,000 tons in stock.

**Hunan Irrigation Investment**

91P30090D Changsha HUNAN RIBAO in Chinese  
14 Jan 91 p 1

[Summary] From last winter to the beginning of January, Hunan Province invested 480 million yuan in irrigation projects.

**Hog Procurement, November Price**

91P30090C Beijing NONGMIN RIBAO in Chinese  
21 Jan 91 p 2

[Summary] From January to November commercial departments procured 65,323,900 hogs, a 9.05 percent increase over the same period in 1989; at the end of November, the amount of pork in storage had declined 6.74 percent. In November the average procurement price for hogs was 161.98 yuan per 50 kilograms, a 0.98

percent decrease from October, in 11 major hog-producing provinces the price decreased 2.08 percent.

**Jiangxi 1991 Planned Cotton Area**

91P30090B Nanchang JIANGXI RIBAO in Chinese  
20 Jan 91 p 1

[Summary] In 1991 the planned cotton area in Jiangxi Province is 1.5 million mu, gross output of ginned cotton 1.6 million dan, and gross output of rapeseeds 500 million kilograms.

**Anhui Irrigation Investment**

91P30090A Hefei ANHUI RIBAO in Chinese  
7 Jan 91 p 1

[Summary] Since last winter, Anhui Province has raised 242 million yuan for irrigation projects, of this amount the masses raised 188 million yuan, accounting for 78 percent.

**Farm Machinery Export Volume Increases**

OW1102170391 Beijing XINHUA in English  
1426 GMT 11 Feb 91

[Text] Beijing, February 11 (XINHUA)—China earned a total of 150 million U.S. dollars in 1990 by exporting farm machinery, an increase of 35.1 percent over the previous year.

An official from the China farm machinery import and export corporation said today that this is another sharp increase since China's farm machinery exports hit a record high of 110 million U.S. dollars-worth in 1989. Most of these products, he said, were sold to Hong Kong, Pakistan, Thailand, Bangladesh, the United States and Canada.

In spite of the steady increase in farm machinery exports in the past few years, he said, China's exports of such products only accounts for 1.3 percent of the world's total. In terms of hand tractors, China exports only 10,000 hand tractors or 1.4 percent of its total output annually, while Japan, the second-largest producer, sells 80,000—some 22 percent of its total output.

**Anhui Cotton Procurement**

91P30086F Hefei ANHUI RIBAO in Chinese  
15 Jan 91 p 1

[Summary] As of 31 December, Anhui Province had procured 174,280 tons of ginned cotton, an increase of 63,108 tons over the same period in 1989, and fulfilled 101.83 percent of the task.

### Resurgence of Left Seen in Literary Field

91CM0082A Hong Kong CHING PAO [THE MIRROR] in Chinese No 160, 10 Nov 90 pp 46-50

[Article by Tsung Ying (1350 7751): "Leftist Sprouts, Leftist Roots, Leftist Soil"; passages in bold and italics as published]

#### [Text] Leftist Forces Resurge

The return of the leftist tide and the situation in literary circles have attracted a lot of attention at home and abroad, and have caused deep concern.

Since the inconclusive termination of the Cultural Revolution, leftist political forces in the mainland have risen up and receded again several times. Events in the literary field have roughly paralleled those in politics. The leftist tide has ebbed and flowed repeatedly; leftist forces have risen and retreated several times. They are now at high tide again.

In rough outline, the leftist tide has washed over the literary and artistic community in the mainland three times. From the end of the Cultural Revolution through 1980, various breakthroughs occurred in the literary scene in terms of both literary creation and literary thought. Without exception, each breakthrough, whether large or small, met with restrictions and resistance, but the stream of breakthroughs could not be held back. At that time, the dominant aspect of political life was the call to "resist leftism and criticize leftism." Primarily, that meant to resist and criticize the leftism of the gang of four, so in literary life there was also momentum to overcome and escape leftism. These breakthroughs and escapes occurred slowly, and it was even a matter of "looking back three times with every step." However, some "wild stallions" did appear, too. Bai Hua [4101 2901] was one of them. His *Bitter Love* was indisputably a major breakthrough in terms of ideology and literary creation. (In all honesty, it was not an outstanding work from an artistic point of view.) The leftists who bided their time and helplessly bit their tongues in the "resist leftism, criticize leftism" climate were at last able to restrain themselves no more, and they sallied forth on the offensive. The Bai Hua incident of 1981 led to the movement to oppose "bourgeois liberalization," in which the leftists called for "strengthening leadership on the ideological and political fronts." In 1984, the campaign to "root out spiritual pollution" was officially launched. This marked the first resurgence of the leftist tide. However, this resurgence of leftism met immediately with ubiquitous resistance in the literary sphere, and even along the entire ideological and cultural front. Hu Yaobang, then general secretary, acted to a significant extent in accordance with popular sentiment by weakening the campaign, which came to a quick end. Hu Yaobang came under attack from all sides in 1985-86, and leftists in the literary sphere attempted another assault. The public criticism of Liu Zaifu [0491 0375 1788] by Chen Yong [7115 8673] in HONGQI [RED FLAG] (a Central Committee publication) was one

signal of this attack. However, at that time, in both the political and literary spheres, leftists and their opponents were in a stalemate. This round of criticism more or less turned into a debate in which both sides held their own. The leftist faction was somewhat frustrated, but in the end Hu Yaobang was purged. The literary leftists then followed up on the success of leftist politicians and unleashed a furious attack. Calls for opposition to bourgeois liberalization reached a crescendo, and leftists set their sights on Wang Ruowang [3769 5387 2598], Wu Zuguang [0702 4371 0342], and a large number of other writers. The Zhuozhou Conference of April 1987 constituted the second leftist high tide. Zhao Ziyang, who was in charge of party affairs at that time, disapproved of this conference. Hu Qili, who was in charge of ideology, took an ambiguous position, but he did not agree with the excessively leftist tenor of the conference. Individuals in intellectual and cultural circles were even more disgusted. The 4 June incident knocked Zhao Ziyang and Hu Qili both from their positions, at which point the chorus of "opposing bourgeois liberalization" reached thunderous proportions. New leftist hordes swarmed forth, seeking to "retake the battlefield" in ideology at the same time that they sought to "retake power" in the area of personnel. Although Li Ruihuan and others have offered some resistance to this leftist resurgence, they will not necessarily be able to stem the tide. The "Conference on Literary and Artistic Thought" held by the Chinese Union of Writers and Artists and the China Federation of Literature and Art Circles this April in Baoding (commonly known as the Baoding Conference) was a reenactment of the Zhuozhou Conference. *Personnel changes in the literary sphere in the last few months and the "renewed criticism" of Liu Zaifu and others constitute the third leftist high tide.*

#### What is the meaning of these three big ebbs and flows?

They show that the literary sphere in Mainland China is not "one unified world." The leftist tide has risen time and again only to be beaten back time and again. Precisely because there are different forces and views in existence, the leftist forces have not been able to "unify the world." It is a fact that a powerful force of antileftist resistance exists in the Chinese literary sphere, but it has not been able to "unify the world" either. The two sides just keep trading places on top.

Furthermore, these ebbs and flows show that leftism reappears from time to time in Mainland China's literary sphere, that it remains firmly rooted, and that the soil in which it is rooted is very deep. In deep and fertile leftist soil, roots too strong to pull out are sure to grow. Because the roots of leftism remain, one grouping of leftists after another continues to sprout up. Instead of fretting about the literary world in the mainland, it would be better to shovel away the soil, pull up the roots, and snip the sprouts to pieces.

#### One Leftist Grouping After Another Sprouts Up

There are many different types of leftists, and they are divided among many different groups.

In general, rightwing people like to consider as leftists all believers in Marxism and all persons who are close to or tend to sympathize with the Chinese Communists. Those who fit this broad definition of a leftist are to be found everywhere in the Chinese literary community. Even people like Wu Zuguang who have been purged in some form are still leftists in this sense. Anyone who has been purged will naturally have been branded a rightist or a right sympathizer, but these are rightists amidst a group of people who fit the broad definition of leftists.

**The leftist tide and leftist forces to which I refer in this article are those who, within the broadly defined leftist faction, are relatively leftist, excessively leftist, or extremely leftist.** In the mainland literary sphere, one group after another of these leftist persons and forces have appeared in succession. Many people do not have a very good understanding of some odd leftist phenomena in the mainland literary sphere. For example, someone asked why a rightist like Chen Yong, or people such as Lin Mohan, He Jingzhi [6320 2417 0037], and Zhao Xun [6392 1416], who were severely attacked in the Cultural Revolution, can now be so leftist? People ask these questions because they do not understand very much about the successive groups of leftists that have appeared on the literary scene in the mainland.

*Prior to the Cultural Revolution there was already a relatively leftist group in mainland literary circles. Zhou Yang [0719 2254] and Lin Mohan are the chief representatives of this group. A large number of literary workers from the Yanan period belong to this group of leftists. These people were leftist because of their own personal beliefs and ideas, and also because, in their position, they had no choice but to carry out orders. This group of leftists once underwent a split, too. For example, during the criticism of Hu Feng, He Qifang [0149 0366 5364] became director of the Literature Institute, and he broke free of a lot of leftist dogma. This was seen most clearly in his respect and concern for Mr. Yu Pingbo [0205 1627 0130]. Of course it was sometimes a case of "the flood waters swamping the hall of the dragon kings," i.e., people hoisted by their own petard. For example, Chen Yong was a pure leftist. He attacked Xiao Yemu [5618 0048 3668] in 1951, denouncing the novel *Women Fufu Zhi Jian* [My Wife and I] in an article entitled "Some Tendencies in the Works of Xiao Yemu," which was published on 10 June 1951 in RENMIN RIBAO and RENMIN WENYI FUKAN. In 1954 he attacked Lu Ling [6424 5044] with his article "Some Ideological Tendencies in *The Rich Man's Sons and Daughters*". During the campaign against Hu Feng he posed as a Lu Xun specialist and fired away with "Defend the Lu Xun Path, Oppose the Hu Feng Clique." He then fired another shot: "Understanding the Counterrevolutionary Nature of 'The Battle of the Bog,'" saddling Lu Ling with a serious charge—"Who could write such a piece but a counterrevolutionary harboring ulterior motives and a deep hatred for the revolution?" On 21 April 1957 he published "On Socialist Realism," a denunciation of Qin Zhaoyang's [4440 0340 7122] "A Broad Realism." Soon thereafter,*

however, he was "gunned down" by a rival coworker, and he was branded as a rightist for "colluding with Feng Xuefeng [7458 7185 1496]." It is apparent that this true leftist became a rightist purely as a result of factional infighting. This grouping of leftists remained intact roughly from October 1949 up through the eve of the Cultural Revolution.

*During the Cultural Revolution, this leftist grouping was replaced by another grouping even more leftist. A single speech by Lin Biao catapulted Jiang Qing into the Literary Revolution, and even made her the standard bearer of the Cultural Revolution. A group of extreme leftists, including the likes of Zhang Chunqiao and Yao Wenyuan, assembled at her side. This extreme leftist faction was both principled and unprincipled. It was principled in the sense that it converted Marxist literary and artistic theory and Mao Thought on Literature and Art into an extreme leftism, then used this extreme leftist theory as the principle by which they advanced the Cultural Revolution and the literary revolution. Thus, all literary or artistic thought or theory that fell short of this degree of leftism was branded as rightist—feudal, capitalist, revisionist. This faction was unprincipled in the sense that its members mixed personal grudges with political, literary, and artistic struggles. They used the "revolution" to take personal revenge and carry out private vendettas, so some people toward whom Jiang Qing bore enmity were also branded as monsters and demons. This is why many of the former grouping of leftists became rightists. Zhou Yang and Lin Mohan were both struggled. Liu Baiyu, He Jingzhi, Zhao Xun and others met with similar fates. In the main building of Beijing's China Federation of Literary and Art Circles, I personally saw He Jingzhi forced to "do the airplane" (in which the person is forced to bend 90 degrees at the waist, maintain his arms parallel to the ground and pointed backwards, and raise his head to look forward) during a struggle session.*

*After the Cultural Revolution the leftist faction of Jiang Qing disintegrated and the pre-Cultural Revolution leftists underwent a deep split. Zhou Yang did a thorough self-appraisal and became accessible to reason, and even became a liberal. Zhang Guangnian [1728 0342 1628] also reappraised his leftist sympathies as director of WENYI BAO [LITERATURE AND ART] prior to the Cultural Revolution, and he became a liberal. Other people, however, become more "resolute in their position" than ever. All these people now share a basically similar criticism of the extreme leftists of the Cultural Revolution, but as soon as the focus turns to the injustices caused by pre-Cultural Revolution leftism, their differences become irreconcilable. When it comes to the extreme left interpretation of Mao Zedong Thought on Literature and Art by Jiang Qing and her cohorts during the Cultural Revolution, these people basically agree in rejecting it, but when it comes to the question of how to view Mao Zedong Thought on Literature and Art as espoused by Mao himself, the split widens. Zhou Yang and others like him are viewed as having "wavered" and*

"erred," and have thus been labeled as new rightists, while the "resolute" types have naturally become the hardcore elements of a new leftist grouping.

*A new leftist grouping has formed. This new leftist grouping exhibits a bizarre phenomenon—a union of leftists who were struggled during the Cultural Revolution and extreme leftists who did the struggling.* This union includes former members of the Central Revolutionary Committee, chief editorial writers who penned vitriolic attacks during the Cultural Revolution, and leaders of the "beaters, smashers, and looters" who committed shocking dossier thefts during the Cultural Revolution. By all logic, these two leftist groupings should be mutually repugnant, but in this case the previously mentioned combination of principles and lack thereof has exerted its own brand of logic. The difference is that, before, this logic led leftists to struggle leftists, but today it has given rise to a singular phenomenon—the victims and perpetrators of the Cultural Revolution, leftists all, have joined forces. The reason for this is that on the contemporary Chinese literary scene there are few people left who can raise the leftist flag with a clear conscience. There are not very many left willing to do so, either. The leftist king has no brilliant generals, and the leftist generals have no strong armies. The only recourse has been to round up a number of Cultural Revolution hit men, and incorporate some extreme leftists from the Cultural Revolution capable of changing their stripes at the drop of a hat, in order to fill out the ranks. When you understand this you will not find it strange that each leftist high tide since the Cultural Revolution has smacked of the Cultural Revolution.

#### The Roots of Leftism Remain Intact

The reason why one leftist grouping after another appears is because the roots of leftism are strong. It is just like the chives that we Chinese are so fond of eating; as long as the roots are there, the plant will keep sprouting up no matter how many times one snips the stalk.

The leftist roots to which I refer here, apart from the social and political ones, are primarily those that have to do with literary and artistic thought.

*People generally trace the origins of leftist thought to Mao Zedong Thought on Literature and Art. This is true in a sense, but it is not totally true.*

Literary and artistic thought, whether Chinese or foreign, ancient or contemporary, all falls into one of three categories: that which is concerned only about aesthetics (the advocacy of art for art's sake); that which is concerned only about sociology (the advocacy of art for the sake of politics); and that which combines aesthetics with sociology (there are different degrees of emphasis upon one or the other).

*Mao Zedong Thought on Literature and Art is "sinified Marxism." Its foreign roots lie in Soviet-style Marxist literary and artistic thought and theory; its domestic roots*

*lie in China's traditional literary and artistic thought and theory, which have always stressed sociology.*

The literary and artistic thought of Marx and Engels was mainly an elevation of some West European literary and artistic thought and theories that stressed sociology. However, Soviet-style Marxist thought and theory on literature and art, apart from "imported goods" from Marx, also drew directly from the literary and artistic thought and theory of Belinsky, Chernyshevsky, and Dobrolyubov, which called for "revolutionary democracy." The point of departure for Belinsky, Chernyshevsky, and Dobrolyubov was the revolution they were fomenting in opposition to tsarist rule and the irrational social system, thus they stressed the social function of literature and art, and tenaciously promoted its revolutionary and combative nature. This was reasonable in some aspects. Chernyshevsky wrote a novel entitled *What Is To Be Done?* in which he pursued his ideal of revolutionary democracy. The purity of his motivation was apparent. None of them completely ignored the artistic or aesthetic nature of literature and art. Chernyshevsky also wrote such aesthetic tracts as *Life and Aesthetics*. It was just that they had melded their aesthetic outlook into their sociological and political outlook. Revolutionary utilitarianism was undeniably their most salient characteristic. Lenin and others, for the sake of their revolution, took what they needed from the theory of revolutionary democracy (a theory which draws heavily on revolutionary utilitarianism) and elevated it to the level of Marxism. At that point, Marxist literary and artistic theory were made Russian, and the Russian literary and artistic theory of revolutionary democracy were made Marxist. From Lenin's party organization and party publications to the various literary and artistic struggles and criticisms carried out by Stalin and Zhdanov, revolutionary utilitarianism was demonstrated more clearly than anything else. However, as they continually met with resistance from opposing factions and dissidents, this revolutionary utilitarianism gradually turned into a narrower utilitarianism characterized by rejection of dissent and suppression of opponents. On the one hand, those writers and artists who had devoted themselves to revolutionary utilitarianism were extolled as the three great men; on the other hand, dissidents and oppositionists were criticized and attacked without mercy. A group of extreme leftists even appeared in the 1920's known as the Lapu [2139 2528] faction.

This Soviet-style Marxist thought and theory on literature and art was not well accepted at first when it was introduced in China. For one thing, those who had introduced it had not really digested the theory, but had merely accepted it indiscriminately. How could the theory have found much acceptance? For another thing, it had been influenced by the far-left Lapu faction for a while and was thus even less acceptable. It was not until the 1930's and the time of the "Leftist Union" that Lu Xun and Qu Qiubai [4234 4428 4101] attempted to "sinify" or "nationalize" it. Lu Xun's sinification was,

on the one hand, a combination of this theory with conditions in China at that time. On the other hand, it also represented an amalgamation with China's traditional literary and artistic thought and theory. The traditional thought and theory of China's literature and art had its own unique system and insights, but there is no use denying that, while it had scientific and relatively scientific artistic truths, it also had nonscientific and antiscientific artistic biases. These two aspects were even frequently mixed together in a single author or piece of writing. Due to the advocacy of authorities since time immemorial, the utilitarian ethic which holds that "literature and politics are linked" and that "literature serves politics" has always been dominant. There is a certain amount of truth in this, but this truth is extremely incomplete. For one thing, in the past, the idea that "literature serves politics" has always degenerated into a narrow, one-sided utilitarianism. For another thing, the link between literature and politics and some political functions of literature has received too much emphasis, while its many social functions (particularly its aesthetic function) have been ignored. For example Bai Juyi [4101 1446 2496] advocated joining the nation, preserving the bright achievements, arguing through satire, watching the thriving and declining, stating the successes and failures, and recognizing the decadent and the pleasing. He was, in fact, arguing that literature must serve politics. He lived in a time of chaos when the people suffered greatly. He was resolutely opposed to avoiding reality and waxing eloquent about the wind, snow, and romance, as if the people's suffering did not exist. This fact has positive practical significance and a fair degree of truth. According to his concept of "literature serving politics," however, serving the emperor, high officials, and the people were all the same thing. In a society such as his, where the emperor, high officials, and the people were constantly at odds, this was an unrealistic dream. His emphasis on "persuading people to change their ways" eventually led to a situation in which this persuasion was the only thing that mattered and artistic expression and aesthetic creation were ignored. He felt that anything "coarse yet real" which could help in persuading people to change their ways ought to be "used and praised," while "beautiful things" which did nothing to persuade people to change their ways ought to be "discarded." Although he did not neglect artistic expression in his own work, and many of his works were highly pleasing from an artistic standpoint, his artistic thought and theory per se were not well balanced. Although Lu Xun sought to avoid this type of imbalance, his focus was primarily on the "revolutionary function" of literature and art. Some people, for the sake of "revolutionary function," thus accepted some of the biases that had existed in ancient Chinese literary theory.

Mao Zedong Thought on Literature and Art was formulated upon the basis of this combination of foreign and Chinese roots. We should also sum up this phenomenon in a scientific manner. We reject the practice of "praising whatever a certain person does because of who he is," but we must also strive not to "condemn whatever a

certain person does because of who he is." Some of Mao Zedong's theories on life as the source of literature and art are compatible with what many realist writers in different eras and different countries have said. When we view the issue in a detached manner, it becomes apparent that, during the War of Resistance Against Japanese Aggression, it was to a certain extent realistic and appropriate for Mao Zedong to criticize all literature and art that ignored the war, and to ask them instead to play their political role. For example, the publication of Cao Yu's famous *Thunderstorm* and *Sunrise* was truly a landmark event in the history of modern Chinese theater. However, it was completely understandable that He Long [6329 7893] and other high-level leaders would be angered when people were expected to cry along with the characters on stage at the very time they were engaging in bloody battles against the Japanese marauders, even if this reaction was a bit too strong. In reality, it was not only Mao Zedong or the Communist Party that were promoting the political, combative, and revolutionary nature of literature and art. The national government which withdrew to Taiwan began to continually promote "combative literature and art" in the 1950's. The only question was whose politics were being served and against whom combat was being waged. Mao Zedong Thought on Literature and Art formed in a somewhat rational manner, but it incorporated many irrational elements. After the Chinese Communists came to power in the mainland these irrational elements gradually expanded, especially when they combined with interminable factional infighting. After starting out by serving the political interests of the War of Resistance Against Japanese Aggression, which was in harmony with the basic interests of the Chinese people, Mao Zedong Thought on Literature and Art gradually evolved into an instrument of the factional infighting known euphemistically as "continuing revolution." This was why the extreme leftists around Jiang Qing were able to control the "weapons of literature and art" during the Cultural Revolution.

Those who suffered the onslaught of these political power games and those who resisted and opposed these games were infected by them and learned to play by their rules. Whether consciously or not, they learned to take a tooth for a tooth, and sometimes it mattered not whether the tooth taken in revenge was that of the original offender. Some people may have been true believers in this theory, but others merely appreciated its usefulness in their political power games and availed themselves of the theory whether they believed in it or not.

#### Leftist Soil Is Deep

As long as leftist soil exists in Chinese politics, leftist roots will remain intact in the literary sphere, and one leftist grouping after another will continue to sprout up.

In the midst of the leftist soil in politics and society, the literary sphere has its own deep layer of leftist soil.



This leftist soil is intimately linked with the mix of persons to be found in the literary sphere. **The principal participants in the contemporary mainland literary community can be divided into four groups.**

*The first group is composed of people who were involved in literary and artistic creation and activities prior to 1949 in Beijing, Tianjin, Shanghai, Guangzhou, Hong Kong, and Chongqing, as well as people who returned from abroad.* Many of these people are famous writers. Prior to the Cultural Revolution, most of these people held meaningless posts with no real power. Since the Cultural Revolution some have died or grown old, and most have retired or faded from the scene. Most of the writers and artists in this group had nothing to do with leftism. Even though some may have spoken in a leftist manner under certain conditions, they have not done so with sincerity. Some, after repeated subjection to struggle sessions, have had no choice after growing older but to act in a "measured" fashion. They have been unwilling to stray too far left nor slip to the right. Only a small number of people who were sent by the Chinese Communists to work in the White Area showed some leftism when, from Chongqing to Hong Kong, they criticized Hu Feng. These few held the reins of power in literature and art after 1949 and carried out leftist campaigns and struggles. They fell from power during the Cultural Revolution and some have regained it since then. It would be difficult for these people to change the literary and artistic concepts they have always held and still maintain the idea that they have "always been correct," not to mention the fact that they still hope to regain or hold on to their own power.

*The second group is composed of "warriors of revolutionary literature and art" from the Yanan period and the War of Liberation.* They took the path of "literature and art for the sake of the workers, peasants, and soldiers" and "literature and art for the politics of the proletariat." A small number of these people were part of "the first echelon," and gradually came to hold power in literary and artistic circles in the 1950's, but most of the people in this group were part of "the second echelon," beginning to take power in the 1960's. All of them fell in the Cultural Revolution, and it was primarily these people who held power in the literary and artistic community after the Cultural Revolution. The "literary and artistic lifeblood" of these people is inseparable from the "revolutionary literary and artistic line." To negate or belittle the "revolutionary literary and artistic line" is to negate and belittle them. To uphold and defend the "revolutionary literary and artistic line" is to defend and build up these people.

*The third group is composed of people who acted as progressives in the 1950's and up until the Cultural Revolution.* Although this group can be divided into leftists, centrists, and rightists (the rightists were naturally the rightists in the literary and artistic community), after the antirightist campaign and the Cultural Revolution, some of these people "learned their lesson." How many score are there in a lifetime? They no longer cared

to gamble their futures and fates on politics, but chose instead to devote themselves to their art. A stable position was enough for them. Other people remained unchanged, however, and continued to "intervene in life," that is, get involved in politics. The leftists among these people charged forth swinging to kill in each successive campaign, particularly the antirightist campaign. During the antirightist campaign, the party committee chairman at a certain school once relayed the following words of a certain bigshot to the young teachers and students there: "Who do you rely on to overthrow the rightist professors? Yourself!" It was with precisely this sort of encouragement that a faction of "resolute leftists" appeared. After the antirightist campaign, many of these leftists came to positions of power in either university literature departments or in government agencies with responsibility for literature and art. Although some were swept away by the Cultural Revolution, they have gradually regained power since then. These people are also intimately linked with the literary and artistic line of the 17 years prior to the Cultural Revolution. To negate or belittle those 17 years is to negate or belittle them. Of course, some of them have come to see the light. For example, some of the members of a criticism team that roared about the literary and artistic battlefield in Beijing in the 1960's—the Mawenbing [7456 2429 0365] (the name implies its meaning: Marxist literary and artistic warriors)—rejected some leftist things after the Cultural Revolution. A person at the department level even took on Chen Yong in an article in which he defended Liu Zaifu.

*The fourth group consists primarily of educated youth who had been sent down to the countryside during the Cultural Revolution and have appeared on the scene since then.* Most of these people are relatively liberated in their ideology, and dare to break new ground in their creations. In their lifestyles, thinking, emotions, and aesthetic tastes they identify closely with the people. Some of them are too Westernized, and have completely negated ancient and modern traditions in Chinese literature and art. Others, after having tasted success and made a name for themselves, are cautiously protecting the positions they have won. They do not necessarily believe in the leftist cant, but they must echo it from time to time, and must at times act contrary to their own consciences.

**Viewed together, these four groups can be divided into three categories.** The first category consists of those who could only be leftists. Whether to maintain their current power or to expand it, their only choice is to be leftist. Leftism is the only asset they possess. When they lose leftism, they lose everything. The people in the second category do not approve of leftism but dare not resist it openly, and when necessary they go along with the left. These people were never part of any leftist grouping, but in an objective sense they have abetted in the expansion of leftist power. The third category consists of people who could only oppose leftism. Their literary and artistic lifeblood and future are intimately linked to opposition



to leftism. Most of these people sincerely oppose leftism from the other extreme. Perhaps it is because they cannot view issues of the past from a historical perspective. Perhaps they do not understand complex situations, such as the fact that "what was right yesterday may be wrong today," that "yesterday was not all right and today is not all wrong," or that "yesterday was not completely correct but today is completely wrong." Perhaps they are unable to view practical issues accurately. They have distanced themselves from the actual living conditions of the masses, and from the ideological character, customs, and aesthetic tastes of the Chinese nation. When you oppose leftism from the opposite extreme, being resolute means nothing because your efforts will always be counterproductive. The extreme left needs nothing more than this sort of behavior to attack. Even if there were no such behavior, they would create one, but when you behave in such a manner yourself, you help them that much more. No sooner do people like this, given to extremes, extract their "left" foot from the mud, than they tend to stumble into the mire on the other side of the road with their "right" foot. People who go to extremes in this manner not only are narrow minded with regard to leftists, but they are unwilling to align themselves with the leftist camp even in its broadest definition. There is a leftist faction in the Chinese literary and artistic community which is neither relatively leftist, excessively leftist, nor extremely leftist. These writers and artists find it hard to forget their experiences in the old society and the old era. They oppose leftism, but they also take a dim view of and even heartily condemn those who go to extremes. They do not approve of or agree with leftist thinking or methods, but they also sincerely hope to prevent the appearance of the other extreme. Some sectors of public

opinion abroad give unreserved praise to those who have gone to the other extreme and criticize those intellectuals who are "leftist but not leftist," even saying that these people are tragic figures. In reality, these people are not necessarily tragic figures; rather, it could well be those who have gone to the other extreme who are the tragic ones. To use another type of bias or extremism to oppose the biases or extremism of leftism cannot bring Chinese literature and art back to the right path, nor will it enable these people to achieve success in their own work.

*A unique mixture of literary and artistic beliefs with concern for personal fame, position, and power has made for a deep and fertile layer of leftist soil in the Chinese literary and artistic community.* If one is to remain faithful to one's literary beliefs, one must preserve one's fame, position, and power. Conversely, if one is to preserve or win fame, position, and power, one must remain faithful to one's literary and artistic beliefs. Fame, position, and power have thus rigidified literary and artistic beliefs, and these rigid beliefs can be used to "consolidate one's own position," "stabilize one's authority," and to "seek power." What is more, beyond these issues of fame, position, and power in the literary and artistic community, a political strongman looms over everything. In ways both tangible and intangible, the highest political power controls all of society and defines the limits of all social activity. How could literature and art be apart from this control? When the political arena is surnamed "left," the literary sphere can only be surnamed "left."

Only by shoveling away the soil and pulling up the roots can we prevent new buds from sprouting forth.

### Indian Military Strength Discussed

91CM0116A Beijing BINGQI ZHISHI [ORDNANCE KNOWLEDGE] in Chinese No 6, 15 Nov 90 pp 10-11

[Article by Zheng Jing (6774 5464): "The Quietly Developing Indian Military Force"]

[Text] In the early eighties the Indian Government formulated a 20-year national defense modernization plan. The national defense goals India established in the plan were: by the 21st century India would become a "medium-sized world military power" and "the primary military power" in Southeast Asia and the Indian Ocean region. Ten years have passed and India's national defense modernization is developing at a surprising rate: 1989-90 expenditures on national defense surpassed \$12 billion, a threefold increase over 1980-81 (roughly \$3.1 billion). By 1989 Indian strength had reached the following levels: total armed forces of 1.367 million, fourth in the world and three times the total of the armed forces of the countries of the Asian subcontinent. The Army numbered 1.2 million, third in the world; the Air Force, 115,000, fifth in the world; the Navy, 52,000, seventh in the world. In terms of weapons and equipment, the Indian military has over 3,000 tanks, over 1,100 armored vehicles, over 4,000 suppression weapons, over 1,500 antiaircraft canons, 650 antiaircraft missile launchers, over 300 helicopters, over 1,500 aircraft, including 800 combat aircraft, and over 180 warships (including the Coast Guard forces.) One can predict that in the next 10 years India will intensify her national defense modernization and become a military power in the Asian-Pacific region.

Below, let us look at how India moved toward becoming a "military power" in the 10 years from 1980 to 1989.

### National Defense High Technology

India's governments have taken research and development of national defense high technology very seriously. In the past 10 years they have gradually developed from purchase and copying to research and development on their own and achieved a series of spectacular successes.

In 1974, with foreign assistance, India constructed its first nuclear device; in August, 1985, relevant Indian officials and international atomic power agencies revealed that India could already manufacture weapons-grade plutonium. Western observers estimate that India now has the capability to produce nuclear weapons. According to Indian officials, India now has six nuclear reactors, six heavy-water plants, three postprocessing plants, six nuclear research reactors, and one fast neutron-breeder reactor. In addition, some new nuclear facilities are under construction.

In February 1988, India successfully test-launched a 300-km Prithvi missile. R. Gandhi, who was then Indian Prime Minister, said with delight that the successful development of the Prithvi was "a spectacular milestone in India's plans for self-sufficiency in the area of high

technology." In a very short 15 years, India has also successfully launched the Agni rocket with a range of 2,500 kilometers and effective payload of one ton. The successful test of the Agni made India the seventh nation in the world to have ICBM's.

India has also made evident achievements in space technology developments. Since the early eighties, India has directly or indirectly launched seven satellites. In terms of national defense electronic equipment, in the past few years India has developed high-technology radar with special functions: the Indira-1, the multifunction radar, and the multiple target field artillery radar.

### Navy

India borders on the Indian Ocean and has a coastline of over 6,000 km. For many years, India has viewed the Indian Ocean as the "Sea of Fate." The famous Indian diplomat Pa-ni-ka [1584 1441 0595] once said, "The long-term goal of India's naval strategy is to become a naval power, sufficiently independent to defend the country's interests in matters of life and death at sea and rule the roost in the Indian Ocean region." India's former premier, R. Gandhi, also stated, "India's Navy should not only protect the coastline, but also should play a role in the Indian Ocean." To make India a naval power quickly, the Indian Government has treated the Navy as a "favored child" among the three services, given it priority consideration and developed it vigorously. In the past 10 years the Indian Navy's expenses have been the highest of the three services. Currently, the Indian Navy has over 150 vessels of all types, with a gross tonnage of over 250,000 tons, forming an ocean-going fleet made up primarily of the two light aircraft carriers Vikrant and "Jingjishen" [4552 2111 4377] (each with eight Sea Harrier attack planes and eight Sea King antisubmarine helicopters), the guided-missile cruiser Mysore, Kashin-class guided-missile destroyers, Godavari-class escort frigates, Natya-class ocean-going minesweepers, K-class submarines, large-scale landing craft, ocean-going reconnaissance aircraft, and antisubmarine helicopters, which has gradually brought about a shift from "coastal defense" type to "ocean-going combat" type. Currently the total naval force is over 50,000 men (including 2,000 men of the Naval Air Force), organized into two fleets and 13 Naval Air Force groups to make it the most powerful naval force among countries bordering the Indian Ocean.

According to a report in the 19 May 1990 issue of JANE'S DEFENSE WEEKLY, India's Minister of Defense, La-jia La-ma-na [2139 6328 2139 7456 4780] announced that India's navy will purchase from the Soviet Union 35 Tarantul I light corvettes with a top speed of 36 knots. Twenty of the ships will be supplied by the Soviet Union and 15 will be manufactured in India under license. In addition, India is planning to build another 30,000-ton medium aircraft carrier, using blueprints for the French Clemenceau-class aircraft carrier and equipped with sloped decks and steam catapult, carrying new model vertical short-distance take-off and

landing aircraft and new model helicopters. It is scheduled for completion early in the next century. In addition to leasing a second nuclear submarine from the Soviet Union (yet to be concluded), they plan to lease or purchase two additional nuclear submarines from the Soviet Union.

According to a recent article by the Japanese specialist Yasuji Suzuki in *WORLD WARSHIPS* magazine, India will build the naval force required in the 21st century in line with the following goals: 1) establish two aircraft carrier groups; 2) establish several missile-carrying naval attack units; 3) establish three naval supply groups; 4) have sufficient offensive and defensive submarines; 5) have a naval monitoring capability in the area of the Indian Ocean bounded by the Arabian Sea, the Bay of Bengal, and the Equator; 6) have satellite surveillance and spying capability; 7) establish helicopter units to take off from land to support coastal garrison units; 8) establish patrol groups equipped with armed missiles and guns to guard the shores and bays; 9) have mine-sweeping ships and minesweepers; 10) have naval vessels capable of landing operations.

#### Air Force

Through the hard building work of several governments in the past 10 years, the total manpower of India's Air Force has now reached 110,000. It is equipped with more than 1,580 aircraft of various types, including 836 combat aircraft, 78 flight squadrons, and 30 missile squadrons.

India's Air Force is currently made up of the Soviet MiG-21, MiG-23/27/29, French Mirage-2000, Anglo-French jointly developed Jaguar, and the Indian "feng-shen" [7364 4377] for the main body of the fighters; the Soviet MiG-25, PR-57, and HS-748 for the main body of the reconnaissance aircraft; and the Soviet An-32, An-128, Il-76, and DHC-4 for the main body of the transports.

The MiG-29 is an all-weather fighter which the Soviets began to put into production in the late 1980's. It is armed with one 30-mm machine cannon, AA-8 and AA-10 air-to-air missiles, and also has guided missile and rocket launch units. This aircraft's maximum level flight speed is Mach 2.3, its service ceiling is 17,000 meters and its combat range is 1,150 kilometers. The Mirage-2000 is a French product of the mid-1980's. Its primary armament is two 30-mm machine cannons; it can carry medium- and short-range air-to-air missiles, antiradar missiles, and laser-guided and cluster-type aviation missiles. Its maximum level flight speed is Mach 2.2, service ceiling is 18,000-20,000 meters and its combat range is 700 kilometers.

India is now also developing a light fighter, the LCA, which weighs between 10 and 20 tons and has wings made of titanium alloy. In addition to machine cannons, the aircraft can also carry the "Asitela" [7093 2448 3676

2139] air-to-air missile that India developed. It is estimated that the aircraft will go into production in the late nineties with a total of 200-300 aircraft.

To improve high-altitude command and long-range attack capability, the Indian Air Force places great importance on development of such logistical aircraft as early warning and refueling. In the past 10 years, Indian Air Force's transport units have grown to 12 squadrons equipped with 186 aircraft, such as the Il-26 and An-124. In addition, they also imported Il-76 early warning aircraft from the Soviet Union and will retrofit the An-12 as a midair refueling aircraft. To improve the level of high-altitude combat missile usage, India has also imported from the Soviet Union and France a large number of dogfight missiles and air-to-surface (sea) missiles such as the "Atoll" AA-2, "Apex" AA-7, "Aphid" AA-8, "Magic" R-550, "Super 530D", "Keliniu" [0344 6849 3662], and "Exocet." The Indian Air Force's combat air transport capability has now leaped into third place in the world.

#### Army

Since the early eighties, the Indian Army's combat divisions have increased to 33, independent combat brigades have increased to 27, and four new engineering brigades have been organized.

To improve the Army's attack strength, India has vigorously developed primary combat tanks and infantry combat vehicles. India now has 3,150 primary combat tanks (including 500 in reserve), 100 light tanks, 700 infantry combat vehicles, and over 400 armored personnel carriers. The "Arjuna" main battle tank that India developed carries a 120-mm rifled cannon, that fires armor-piercing fin-stabilized discarding sabot at a muzzle velocity of 1,750 m/sec; has the latest comprehensive fire-control system and "kanchan" composite armor, a 1,500-horsepower diesel engine, a hydraulic mechanical transmission, a hydro-pneumatic type suspension unit, a combat weight of 60 tons, and a maximum highway speed of 70 kph. Due to many technical difficulties in the design and manufacturing process, it is not very reliable, its overall layout is not sensible, thus it will be difficult to realize the original target of putting it into use in the early nineties as planned, but it is estimated that by the end of the century, India's main force tanks will be the T-55, T-72, and "Arjuna" tank.

#### Discipline, Work Style Elements of Combat Effectiveness

91P30088A Beijing JIEFANGJUN BAO in Chinese  
4 Jan 91 p 2

[Commentary: "Combat Effectiveness Springs From Discipline and Work Style"]

[Text] Faced with unexpected circumstances while carrying out his duties in outside areas, an ordinary soldier bears hunger and cold, even braves danger to his own life, yet he stands fast at his post till he drops... This

inspiring deed fully illustrates the truth behind the idea that strict discipline and professional work style produce combat effectiveness.

Of course not every soldier will encounter mishap such as in the case of Bi Guangjun [3968 1639 6511] [Bi Guangjun is a new model People's Liberation Army Shenyang soldier/driver who braved the elements for 13 hours to guard his stalled truck full of military materials]; in times of peace, however, if strict demands and step-by-step cultivation are lacking, a soldier tested by special circumstances will find it difficult to discipline himself consciously and with an iron will. Therefore, the fostering of strict discipline and a professional work style must begin in times of peace through conscious refinement. Discipline and work style established on this basis are an invincible force.

The combat effectiveness of the Army is a comprehensive strength composed of many different elements. In times of war, an army without strict discipline and a professional work style cannot win battles; in times of peace, strict discipline and professional work style are still essential elements constituting combat effectiveness.

First, to carry out our Army's fundamental function in times of peace, not only must we possess a high level of political consciousness, the finest weaponry, and good military skill, but we must also possess strict discipline and a professional work style. Only then will our troops become a solid unit and invincible masters of war and civilization. Second, strict discipline and a professional work style are the reliable guarantee that, under difficult conditions, our troops will form a strong unified entity and will accomplish training, post duty, construction, emergency relief, and other tasks.

The discipline of our Army is based on a high level of self-awareness. To cultivate strict discipline and a work style that is up to standards, we must make strict demands, delineate rewards and punishments, and scrupulously handle affairs according to rules and regulations. Also, we must do meticulous ideological work and arouse the inherent willingness of the cadres and soldiers to resolutely carry out orders, follow commands, and faithfully carry out their duties under any circumstances. This will allow strict discipline to become the conscious action of all cadres and soldiers.

## EAST REGION

**Zhejiang County Seeks Better Cadre-Masses Relations**

91CM0102A Zhengzhou LINGDAO KEXUE  
[LEADERSHIP SCIENCE] in Chinese No 10,  
16 Oct 90 pp 32-33

[Article by Dai Zhongquan (2071 1813 3123) and Pan Huaidi (3382 2037 0966), of the Organization Department, Pujiang County CPC Committee, Zhejiang: "Ways To Improve Relations Between Town and Township Cadres and the Masses"]

[Text] To improve their relationship with the masses of the people, town and township cadres should be guided by the following "six do's and don'ts" in their method and style of work.

**1. Do convince people by reasoning, and don't confront the tough with toughness.** A considerable number of people think that when one works at the town and township level one has to deal directly with the peasants, and that most of the peasants are poorly educated, rude, and unreasonable. If you try to reason with them on everything you do, you are not going to get anywhere. Therefore, these people think that only big husky men with harsh voices, who can both talk and fight, should be chosen as town and township cadres, especially the principal ones. This is the only way to subdue the masses and get all the work done. This "diamond to cut a diamond" approach often leads to wrangling and clashes with the masses and does not contribute to work. A few years ago, Qianchen Township in Pujiang County was widely known as a unit with "longstanding, big, and difficult" problems. Fighting, gambling, and birth control violations were rampant. Between 1984 and 1989, many leading township cadres were beaten up by the masses, and work was made very difficult. In 1988, a tough guy, the former head of a district police station, was selected as the secretary of the township party committee, but even he failed to change the situation completely. When his term of office expired this year, the Organization Department resolutely selected a school-educated young man to be the new secretary of the township party committee. This "intellectual secretary" completely discarded the past "confront the tough with toughness" approach to work and used the guidelines of the "Resolution of the CPC Central Committee on Strengthening Ties to the Masses" to unify the thinking of the members of the party committee. All the township cadres were sent to the villages to hold discussions with the village cadres and people to understand the masses' wishes and demands. Goals were then set for work, and a gentle and mild working method was adopted. The situation began to change quickly. This working method has met with the approval of the county party committee and the Jinhua Municipal CPC Committee.

**2. Do provide more services, and don't make a lot of demands.** The masses generally feel that the peasants' burden is too heavy, with so many fees and charges levied on them. Town and township cadres are normally disinclined to go to the villages, and when they do, they want only three things—money, grain, and lives (birth control). This is an important reason why relations are so strained between cadres and the masses. To change this situation, when town and township cadres go to the villages, they should first of all try to thoroughly understand the masses' problems and demands in production and daily life; provide more services to the peasants, including seeds, technology, information, and so forth, as required for developing agricultural production; and put an end to the practice of going to the villages only to collect money.

When they go to the villages, some town and township cadres just drop some messages from the party committee and the government at the homes of the party branch secretaries and village chiefs, and their mission is accomplished. They are unconcerned about the progress, results, and problems of work in the villages. The masses refer to these cadres as the "bureaucrat-messengers" and naturally have no good feeling toward them. The masses wish that these "messengers" could turn themselves into "public servants" and do some real work for the people, like helping the village party branches draw up various work implementation plans, providing as much help as possible for work in the villages, and keeping the town and township party committees and governments informed of conditions in the villages.

**3. Do conduct thoroughgoing and meticulous ideological work, and don't use force and shock methods.** Now the cadres in some towns and townships like to use force and shock methods to solve difficult problems. Especially in the handling of illegal housing construction, birth control violations, and grain and fund collections, they are much more inclined to use simplistic, crude, "tough methods" to solve the problems. Normally, they know perfectly well which villagers are building houses illegally or already have the permissible number of children but get pregnant again, yet they look the other way or just perfunctorily urge them not to do so. The cadres stationed in the village will wait for the township to take action, and the township will wait for the county to dispatch a work team. Then all of them will go into action together and accomplish their mission like a gust of wind. This method is admittedly effective in solving already exposed problems. But because it neglects thoroughgoing and meticulous ideological work, and because some problems have already gone too far—for example, an illegal house, already under roof, is torn down forcibly; a woman, who is about to give birth to another child in addition to the permissible number of children, is forced to have an abortion—the masses are further antagonized, and clashes often break out at this point.

Therefore, the use of force and shock methods should be stopped, and thoroughgoing and meticulous ideological work should be conducted on a daily basis. Every cadre

stationed in a village should ordinarily take up the responsibility in real earnest. Whenever a problem of this kind is discovered, he should do his best to solve it in good time together with the village party branch or village party committee. Only when there is real difficulty, should help from the township be requested. Meticulous ideological work should be done beforehand among the masses, and to the extent possible problems should be nipped in the bud.

**4. Do rely on the party organization, and don't rely on the "riffraff."** There are now bands of riffraff (rascals) in most of the villages (streets). They gang together to make trouble, and some have joined the leading bodies of village party committees by improper means and become local bullies. With the interference of the "riffraff," some village party organizations can no longer function normally. In order to reduce "trouble" in the villages where they live, some township cadres and even principal leading cadres often mix with the "riffraff" in the name of the "united front," calling them brothers, dining and drinking with them, and allowing themselves to be influenced by the "riffraff" on many questions, and the "riffraff" become even more arrogant. The good and honest people see everything and are angry. The prestige of the party and government has suffered.

The rural party organization is the core of political leadership in the rural areas, and the town and township cadres, more than others, should trust and rely on the village party branches, support their work, and help enhance their prestige. In dealing with the "riffraff," the town and township cadres should, together with the village party branches, educate them, transform them, and, under suitable conditions, use them. Only those who have really corrected their mistakes through education can be relied on. Only then will the masses feel comfortable and support the party and the people's government.

**5. Do combine material reward with moral encouragement, and don't put the stress on material incentives alone.** A habit has been formed in some towns and townships: When there is need to get people to concentrate on an important task, it is always necessary to pay them a cash allowance, and if the work is in the evening, they must be served dinner or issued canned food, and so forth. Otherwise, it seems difficult to arouse the cadres' enthusiasm. On the other hand, in setting up the system of personal responsibility, the towns and townships all use money as an incentive, which makes cadres think only about money, and as the practice continues, their appetites grow and the money award offered becomes less attractive. But some poor townships cannot pay more, and their cadres' enthusiasm plummets when they compare their awards with other towns and townships. Not knowing where the award money comes from, the masses think that all the fines and confiscated funds are used to pay the cash awards and therefore become even more dissatisfied with the town and township cadres.

First of all, the town and township party committees must strengthen the party branches in town and township organizations, bring into play the exemplary and leading role of party members, and turn each party member in town and township organizations into a model in enduring hardships and doing hard work. Second, they should vigorously commend good people and good deeds and set up advanced models. Third, they should set up a strict personal responsibility system for cadres and put it into effect.

**6. Do visit the humble homes of the common people, and don't go just to the big houses of rich families.** With the development of a commodity economy in the rural areas, the attention of a rather large number of town and township cadres is focused on the "able persons" and "specialized households." When they go to a village, they will pay a visit to the leading village cadres and spend the rest of their stay in the homes of rich families, enjoying free meals and taking some gifts. They hardly ever set foot in the homes of the large number of common people. Some people say, "The cadres of the 1950's used to call on the poor and suffering people in thatched sheds and lowly dwellings, but today's cadres only go to the big houses of rich families to drink wine and eat meat." It is only natural that cadres have become estranged from the masses.

To change this situation, it is necessary to educate the town and township cadres to foster the idea of working for the interests of the vast majority of the people. The common peasant families, who have no way to get rich, are the ones who need concrete help and support. When the town and township cadres go to the villages, they should pay more attention to the common people in small and lowly houses to teach them how to get rich in order to win support from the masses of the people.

**Shandong Governor Acts To Stop Illegal Practices**  
*OW3001124991 Beijing XINHUA Domestic Service*  
*in Chinese 0347 GMT 30 Jan 91*

["On-the-Scene Feature" by QILU WANBAO reporter Li Xincheng (2621 2450 3932): "Shandong Governor Proposes 'Wonderful Plan' To Protect Factory Directors"]

[Text] Jinan, 30 Jan (XINHUA)—A discussion meeting of some factory directors and managers from large and medium-scale enterprises was proceeding enthusiastically in the conference room of the Shandong Provincial Government at 1600 on 21 January.

"Nowadays everybody wants money from enterprises. We should pay for some items, but there must be standards. All those who come for money have 'the most important documents' with them, and none of them do dare we offend..." Once again, Ma Juncai, director of the Jinan Steel and Iron Factory, steered the topic of conversation to the "persistent ailment" of society at present—the "three illegal practices" [illegal exaction of

fees, illegal apportionment of expenses, and illegal imposition of fines]. Zhao Zhihao, deputy party secretary and governor of Shandong Province, who was present at the meeting, frowned deeply while factory directors and managers were venting their "grievances." Suddenly, he made a gesture, and Director Ma Juncai stopped speaking.

Governor Zhao put down his pen and said, "Both the central and provincial authorities have documents on curbing the 'three illegal practices.' However, this is a social problem. It would be difficult for me, as governor, to check on each department."

Then Governor Zhao changed topics, saying, "I have been thinking about this problem for a long time and have come up with a plan. I will submit my plan to you today for discussion." All the factory directors and managers looked at Governor Zhao, who continued, "However, this plan should have the approval of responsible comrades of relevant departments here first." People in the room looked at each other, wondering what was up the governor's sleeve.

Governor Zhao continued, "We have entrepreneur associations, don't we? They are entrepreneurs' own organizations, and all of you should learn to protect yourselves. I suggest that from now on, units and departments, no matter which one, go through entrepreneur associations whenever they want to enforce a stipulation that will increase the enterprises' burden."

"This plan has at least two advantages." Governor Zhao went on, "First, enterprises will have a 'shield' and may ask their associations to decide whether they should pay whoever is asking for money. Second, the associations will get the message when any unit or department violates the policy to demand money from enterprises without proper reasons. They can report to the governor about such matters!" "As I have just said, this plan must have the approval of various relevant departments. Without your coordination, this plan will not work." Governor Zhao finally disclosed the whole plan. "Do you consent to this plan?" Governor Zhao loudly asked the responsible comrades of relevant departments at the meeting.

"Consent!" Everybody voiced their common thinking after a moment of silence in the conference room.

(Originally published in 24 January QILU WANBAO)

### Most Shanghai Students Return After Study Abroad

OW0102153191 Beijing XINHUA in English  
1516 GMT 1 Feb 91

[Text] Shanghai, February 1 (XINHUA)—Last year 70 percent of the students from Shanghai who had finished their studies abroad had returned to their universities, said the Shanghai Higher Education Bureau.

A total of 1,060 of such students have come back since June 1989.

The high return rate is attributed to "a favorable work environment" created by the municipal government and the units that send or receive them.

A service center for returned students, for example, has been set up to promote and regulate the exchange of these people between units.

### Fujian Holds Religion Work Meeting

HK1102143591 Fuzhou Fujian Provincial Service  
in Mandarin 1100 GMT 8 Feb 91

[Text] A provincial religion work meeting opened in Fuzhou this morning. The main agenda of the meeting was to relay and study the spirit of the 10th national religion work meeting held by the State Council, and to study and make arrangements for religion work in our province.

Provincial party Deputy Secretary Yuan Qitong presided over the opening session. Vice Provincial Governor Liu Jingmei relayed the spirit of the national religion work meeting. On behalf of the provincial CPC Committee and provincial government, acting Provincial Governor Jia Qinglin made a speech on how to further do religion work well as proposed by the CPC Central Committee and the State Council. He said that, since the Third Plenary Session of the 11th CPC Central Committee, party committees and governments at all levels in our province, and religion work departments have done a lot of work in order to resolutely implement the various religion policies of the party. This has produced a very good influence over persons in religion circles both at home and abroad, and the broad masses of people who profess religions. Relations between religion personnel inside the party and the broad masses of people who profess religions have been significantly improved. Patriotic enthusiasm of the religion personnel and the broad masses of people who profess religions and their socialist consciousness have been further increased.

Jia Qinglin pointed out, "At present, there are some prominent problems in the religion circles in our province which merit our close attention and must be seriously handled. We must fully understand the position of religion work in the work of the party and government. Party committees and governments at all levels must include religion work on their important agenda and conscientiously study and analyze the situation of religion work in light of the local situation to solve existing problems. We must continue to carry out propaganda and education in the entire party and among cadres at all levels in Marxist religion viewpoints and the party's religion policies. In the meantime, we must further promote the building of socialist spiritual civilization and further do well the work of uniting with and educating personages in the religion circles and consolidate and develop a patriotic united front with the religion circles."



Jia Qinglin hoped that religion personages in our province would firmly and unswervingly support the leadership of the CPC and socialism and persist in independently promoting their religious affairs and carrying out their religious activities within the scope permitted by the Constitution, laws, decrees, and policies. He stressed, "We believe that through studying and implementing the spirit of the instructions issued by the CPC Central Committee and the State Council on religion work, arousing positive factors in all fields, and doing religion work with one heart and one mind, we can certainly create a situation in our province's religion work that will play a proper role in promoting reform and opening up in our province and the building of the two civilizations."

Zhang Kehui, vice chairman of the provincial Chinese People's Political Consultative Conference [CPPCC], and director of the United Front Work Department under the provincial CPC Committee, and Gao Hu, vice chairman of the provincial CPPCC, attended the opening session.

#### Literature Development Fund Founded in Shanghai

OW1102180791 Beijing XINHUA in English  
1557 GMT 11 Feb 91

[Text] Shanghai, February 11 (XINHUA)—The Shanghai Literature Development Fund, a non-governmental organization, was founded here today.

The fund, sponsored and chaired by well-known Chinese writer Ba Jin, is aimed at providing better conditions for the creation and research activities of writers and scholars in Shanghai, thereby promoting literature in the city.

Yu Ling and Wang Yuanhua, co-sponsors of the fund, were named as vice-chairmen.

Wang read a written speech in which Ba Jin said that the fund will help cultivate generation after generation of new literature talents, and will promote the construction of a highly civilized and modernized country.

Literature masters Bing Xin, Xia Yan, Zhao Puchu, Ke Ling, Shi Zhechun, Fang Xing, Wang Xindi and Wang Xiyan, as well as Ma Mankei, the chairman of the Macao Chinese Chamber of Commerce, were invited to act as consultants to the fund.

Domestic and overseas organizations, as well as enterprises and individuals have reportedly agreed to make donations to the fund.

Ba has contributed two million Japanese yen of the five million he received last year for winning Japan's first Fukuoka Special Asian Culture Prize. He donated the other three million yen to the Modern Chinese Literature Archives.

#### CENTRAL-SOUTH REGION

##### XINHUA Offices Greet Guangdong Leaders

HK1202075191 Guangzhou Guangdong Provincial  
Service in Mandarin 0400 GMT 9 Feb 91

[Text] Responsible members of Hong Kong and Macao Branches of XINHUA including Zhou Nan, Zheng Hua, (Zheng Guojiong), Qin Wenxu, Qiao Zonghuai, (Guo Dongpo), Ke Ping, et al made a special trip to Guangzhou yesterday afternoon to extend Spring Festival greetings to provincial and urban leading comrades.

At the forum, Comrades Zhou Nan and (Guo Dongpo) and Comrades Xie Fei, Ye Xuanping, and Zhu Senlin briefed the other side on the situations in Hong Kong and Macao and Guangdong and exchanged views on maintaining and promoting stability and prosperity in Guangdong, Hong Kong, and Macao.

##### Mao Zedong Portraits Displayed in Guangdong

HK1302031191 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1001 GMT 11 Feb 91

[Report by Yu Han (1342 3211): "Many Mao Zedong Portraits Seen in Guangdong Province"—ZHONGGUO TONGXUN SHE headline]

[Text] Guangzhou, 11 Feb (ZHONGGUO TONGXUN SHE)—Posting the late CPC leader Mao Zedong's portraits is quietly becoming a common practice in some places in Guangdong Province.

In Shenzhen Special Economic Zone, many private newsstands carry Mao Zedong portraits. The price for an A2-size Mao portrait is 2 yuan, or three times as high as the price for a tourist map of the same size.

In Meixian, Haifeng, and Lufeng Counties, as well as Zhanjiang and Maoming in western Guangdong, tourists can see Mao Zedong portraits put up in shops, hotels, and especially shops run by individual households. Passengers traveling between Shenzhen and Meixian can even see Mao Zedong portraits posted on the inner sides of the glass windows on some state-run long-distance buses. These portraits, facing outward, seem to be put up for propaganda purposes as the buses are rolling on the highway.

These Mao portraits are printed on very common paper. What is noteworthy is that neither the names of publishers and printers nor the date of printing and price are shown on the bottom margin below the portraits and that these portraits are usually not put up quite decently. So far this reporter has seen no portrait appropriately put up in a picture frame.

When asked why they put up Mao Zedong portraits, most people gave no answer but remained silent. Only a secondary school teacher of Hakka nationality gave an explanation. He said that this is a method for people to give vent to their feelings as they are missing the 1950's

and 1960's when commodity prices were stable, government officials were honest, social order was good, and, in particular, interpersonal relations were harmonious in Mainland China. This explanation reminded this reporter of something—all the printers had chosen Chairman Mao Zedong's official portrait taken in the early 1960's rather than the one which showed an older Mao Zedong, taken midway through the Cultural Revolution.

### **Guangdong Opens National Defense Education Centers**

OW1402002691 Beijing XINHUA Domestic Service  
in Chinese 2118 GMT 12 Feb 91

[By reporter Wu Dongfeng (0702 2639 1496)]

[Text] Guangzhou, 13 February (XINHUA)—The 26-story National Defense Building was solemnly inaugurated amid the sound of drums to greet the spring festival. Another modern martial arts practice center was recently completed in the modern Sanyuanli Amusement Park. This is evidence that the people of Guangdong did not forget national defense in the course of developing the economy.

According to incomplete statistics, there are presently 10 national defense educational facilities similar to those in Guangzhou City and Sanyuanli in Guangdong. The Guangdong Provincial Youth Activity Center, located at the foot of Yexiu Shan, newly opened a National Defense Knowledge Pavilion to display models of aircraft, artillery, and tanks to conduct education on national defense among young people. Exhibition halls and the Humen Fort were renovated and used as important places for conducting national defense education among the people. Some parks in Guangzhou City set aside special areas to be used for national defense education during the Spring Festival holidays. National defense construction has become an important topic amid economic construction in many Guangdong cities. Military barracks were included in the administrative plans of cities, and the supply of nonstaple food for soldiers and subsidies for local residents simultaneously were increased. Some localities appropriated huge sums of money to assist military units in acquiring advanced training equipment. Everywhere a situation emerged in which soldiers, who are the sons and brothers of the people, are loved by people.

## **NORTHEAST REGION**

### **Persevering in Party Principles in Heilongjiang**

91CM0227A Harbin FENDOU [STRUGGLE]  
in Chinese No 11, 1 Nov 90 pp 15-16

[Article by Li Qinglin (2621 3237 2651), secretary of the Jiamusi Municipal CPC Committee, Heilongjiang: "Strengthening the Party—Ways To Adhere to the Party's Ideological Line in the New Order"]

[Text] The CPC has redefined its ideological line since the Third Plenary Session of the 11th CPC Central Committee, so that it more fully reflects the basic ideological viewpoint and methodology of Marxist philosophy. The quintessence of this ideological line is objectivity. This means that we must be realistic in all of our actions, integrate our subjective efforts with objective realities, combine theory with practice, and act in accordance with objective laws. Some decades of experience have proved that, whenever we conscientiously adhere to the ideological line of objectivity, we advance and achieve remarkable successes, but whenever we do not, we suffer reverses and make mistakes.

As we are now up against a new order of improvement, rectification, and deepening of reform, we are being confronted with many difficulties. In particular, our solving through improvement and rectification of the problems of loss of macroeconomic control and an overheated economy, have led to the occurrence of other problems of poor sales of some commodities and a decrease in the production pace and efficiency of some industrial enterprises, which are putting our economic activities in a tight spot. Such matters as how to ensure the success of improvement and rectification while stimulating markets and the economy, realizing a good economic cycle, and achieving sustained, steady, and coordinated economic growth, and how to correctly solve new improvement, rectification, and reform problems that have arisen in the political, economic, ideological, and cultural fields, are all posing new problems, and making higher demands on us to act realistically and adhere to the ideological line of objectivity.

How are we to adhere to the ideological line of objectivity in this new historical setting? This is a question that many comrades are conscientiously studying and exploring. Our study and work experience have brought us to the understanding that the key to adhering to the ideological line of objectivity is to accomplish the following things:

#### **I. We Must Be Realistic in All Our Actions and Implement the Central Committee's Principles and Policies Creatively**

The party's line, principles, and policies since the Third Plenary Session of the 11th CPC Central Committee have grown out of a scientific summing up of the party's experience in socialist modernization, and they have widespread guiding significance as fundamental principles. However, by not considering regional differences in a country like China, which has such a vast territory, huge population, and uneven economic development, applying these principles indiscriminately, trying to enforce conformity, and "making everyone toe one line," we are too easily divorced from the realities of regional economic development realities. Materialist dialectics tells us that all real existing things are an organic unity of generality and particularity. While generality subsumes and is more profound, it can only roughly reflect, but not wholly replace, particularity.

Thus, our emphasis on maintaining unity with the Central Committee refers mainly to political, ideological, and general policy unity; specific principles and policy measures should proceed from regional realities and be implemented creatively. This is a positive way to maintain unity. Therefore, we should do whatever conforms with regional realities, helps to develop the productive forces, and benefits the state and the people. As Lenin said, unless Marxist policies are premised on precise and reliable facts, they will not only get nowhere, but are also likely to be a repeat of past mistakes, which will have to be paid for eventually. For instance, as township enterprises in Heilongjiang Province and Jiamusi City must still be consolidated and expanded because we began to develop them later than did certain southern provinces and cities, it would be very hard for us to expand our township economy if restrictive measures were indiscriminately and uniformly applied to it. Moreover, as we in Jiamusi are practicing a system of the city bringing along the county, if we want to bring into full play the advantages of this economic development order, in which urban and rural areas are mutually complementary and blended into an organic whole, we must respect objective economic laws, search out the inherent links between urban and rural economic development and the best way to integrate them, and take a new path of coordinated urban and rural development that is suited to Jiamusi's economic particularity.

## **II. By Emphasizing Study and Investigation, We Must Stick to the Stand That Practice Comes First**

Marxism holds that practice is the source, the criterion for judging, and the ultimate aim of knowledge. This is precisely the reason why sticking to the stand that knowledge comes first by studying and investigating realities thoroughly is the most important work method that our party has initiated all along, and it is the most basic and rudimentary principle in our implementation of the ideological line of objectivity. The new conditions, issues, and contradictions, which are constantly appearing in the process of improvement, rectification, and deepening of reform, are in urgent need of our theoretical and policy responses, and resolution through practice. It is only by going deep into the realities of life and conducting thorough investigations that we can deepen our knowledge of municipal, county, regional, and factory conditions, discover newly emerging economic particularities, better sum up our reflections, and come up with ways and means to resolve our current puzzling problems, such as overstocking of products, slumping markets, falling production, and decreasing efficiency. Therefore, Jiamusi's party and government leaders organized four fact-finding groups in early 1990 to go deep into the realities of life, study and investigate, and find out the key problems and subjective and objective factors that exist in Jiamusi's economic operations. Based on this, they set forth the following operating ideology to strengthen one foundation and emphasize four important matters, that is, to strengthen the agricultural foundation, check the decline in industrial

production, strengthen public security, punish corruption to promote honest government, and control prices to stimulate markets. Handling these important matters successfully will be the key to maintaining political, economic, and social stability in Jiamusi, as well as the best proof that we are sticking to the stand that practice comes first, and implementing the ideological line of objectivity.

While the currently increased interest among leading cadres at all levels to go deep into the realities of life to investigate and study is encouraging, it should also be noted that it is as yet insufficient. The reason why the Sixth Plenary Session of the 13th CPC Central Committee pointed out the need to eliminate bureaucracy and strengthen the ties between the party and the masses, was because certain of our leading cadres have not gone deep among the masses and down to the grassroots units and have thus remained unclear about the problems that exist in their own units, responded indifferently to the masses' suggestions and demands, "acted according to their subjective perceptions" on conceptual issues, led in an "ineffective manner," and have not solved problems promptly and with a definite objective in view. Going down to the grassroots units to investigate and study should be promoted among our party and government organs at all levels, and the practice of conducting investigations and studies should be encouraged energetically, so that we can better implement the ideological line of objectivity.

## **III. We Must Insist on a Mass Viewpoint by Conscientiously Operating According to the Method of From the Masses, To the Masses**

The masses are the creators of history, the major producers of material and spiritual wealth, and the decisive force in realizing social change. Our party has relied on the fundamental tenet of historical materialism, by regarding the mass line of "everything for the masses, by the masses, from the masses, and to the masses," which was created and developed through protracted struggle, as our basic operating line and method to realize our ideological line, and the basis on which our party's fine traditions and political superiority have evolved. Facts are proving once again that it is only studying the masses with an open mind, consulting them when matters arise, conscientiously listening to their suggestions, demands, and voices, and pooling and conscientiously analyzing their divergent and unsystematized views, that are enabling us to gain a clear understanding of and find ways to solve the various conflicts and problems that are emerging in the current process of improvement, rectification, and deepening of reform. Moreover, it is only sticking to the mass line that is enabling our views, plans, and policy measures to be transformed into conscious mass action, tested through mass practice, enriched, and improved.

The greatest ideological obstacle to adherence to the party's mass line is subjectivism. Even though Comrade Mao Zedong had profoundly pointed out as long ago as

the time of the democratic revolution that, as far as people's mode of thinking was concerned, subjectivism was the antithesis of objectivism, and that unscientific and anti-Marxist subjectivism was harmful to the self when used as a rule of discipline, harmful to others when used as a principle of education, and harmful to the revolution when used as a guide for revolution, what warrants our vigilance and careful consideration is that subjectivism has not only not yet been eliminated from people's mode of thinking, but it is also still harming our revolution and construction. Subjectivism shows up in such practices as being subservient to "book learning" or "the higher authorities," imitating indiscriminately, underestimating the guiding role of theory, using narrow, subjective experience or even a peephole view to set policy, disregarding objective realities, ignoring the overall situation, setting standards according to what is useful or beneficial to oneself, bragging, indulging in idle talk, lying, having a superficial work style, paying lip service, keeping up appearances, going in for ostentation and extravagance, and spending time on flourishes. In recent years we have learned bitter lessons of subjectivity and knowledge being divorced from objectivity and practice, such as the aftermath of the practice of "alternating hard with soft tactics," and the great fluctuations caused by our impatience for economic success. This also further illustrates the impossibility of sticking to the party's mass line or adhering to the ideological line of objectivity unless subjectivism is eliminated.

#### **IV. We Must Enhance Our Ideological Accomplishments by Holding Conscientiously to the Principle of Party Spirit**

Objectivity is the premise of both materialism and the theory of knowledge, and also that of dialectics. In order to implement the party's ideological line of objectivity, we must hold to the principle of party spirit, deal with issues objectively and comprehensively, be clear that one is one and two is two, and dare to portray the true face of things. This is required by the distinguishing features of Marxist philosophy per se. I think that, in order to hold to the principle of party spirit in the current process of improvement, rectification, and deepening of reform, special attention must be paid to handling correctly the following three relationships:

1. The relationship between local and overall interests. The prerequisite for and guarantee of fulfillment of the tasks of improvement, rectification, and deepening of reform are that local interests must be subordinated to overall interests. Some of our enterprises have now stopped or partially shut down production. While this is being caused partly by such factors as a shortage of funds and the market slump, it is also being caused by the pursuing of immediate and local interests and unchecked expansion by a considerable number of enterprises, and even the springing up all over of small factories that produce such goods as beer, sugar, and waterproof materials, instead of enough attention being paid to overall interests when building factories and setting up projects. Not only has this led to the phenomenon of these small

factories competing with key large and midsize enterprises for funds, raw materials, markets, and power, but it has also created problems of market chaos, supply exceeding demand, and severe overstocking of products. In order to protect their local economic interests, some areas have also resorted to local protectionism, which has hindered the successful accomplishment of improvement, rectification, and deepening of reform, and has slowed the speedy realization of a good economic cycle. These facts show that establishing an overall mentality and handling well the relationship between local and general interests are of utmost importance to the implementation of our ideological line and the fulfillment of the tasks of improvement, rectification, and deepening of reform.

2. The relationship between immediate and long-range interests. This has been a widespread problem in improvement, rectification, and deepening of reform. Some enterprises have inadequate production stamina because their contractors have pursued immediate interests by piecing together equipment and acting shortsightedly, which not only aroused resentment among their staff and workers, but also sapped their strength. Not solving these problems conscientiously will not only turn expanded reproduction by enterprises into idle talk, but will make it hard for them to maintain even simple reproduction, much less attain the objective of sustained, steady, and coordinated economic growth. Therefore, correctly handling the relationship between immediate and long-range interests is not only a test of the strength of party spirit of each enterprise production manager, but is also the primary practical problem that we must solve in order to fulfil our tasks of improvement, rectification, and deepening of reform.

3. The relationship between economic efficiency and social interests. Comrade Deng Xiaoping has emphasized repeatedly that the modernization that we are pursuing is socialist modernization. Despite the fact that emphasizing economic efficiency alone and focusing all efforts on making money inevitably leads to sliding into evil ways and deviating from the socialist path, we are forced to acknowledge the fact that some enterprises emphasize the making of money by improper means and their own unit's economic interests to the detriment of overall social interests. The occasional occurrence in the field of circulation of the phenomenon of selling fake, unsafe, counterfeit, or rotten merchandise, is severely harmful to consumer interests and makes a very bad social impression. The unhealthy and even pornographic books, tapes, and videos that are appearing on the cultural market are seriously poisoning people's minds. These things are not only crimes, but are also typical expressions of overemphasizing the making of money and ignoring social interests. Our emphasis on harmonizing economic efficiency with social interests means that we must proceed from the interests of the party and the people when considering and dealing with problems; and, instead of hankering after personal or small group fame and gain or infringing upon the interests of the

masses, we must genuinely and attentively contribute to both economic development and social progress in order to please the masses. This will give the masses a personal sense of the advantages that we give them by conscientiously implementing the party's ideological line of objectivity.

### **Economy, Public Security Mutually Responsive**

91CM0227B Harbin FENDOU [STRUGGLE]  
in Chinese No 11, 1 Nov 90 p 19

[Article by Yuan Baoshan (5373 1405 1472), deputy secretary of the Hegang Municipal CPC Committee, Heilongjiang: "Democracy and the Legal System—Correctly Understanding and Handling the Relationship Between Economic Development and Public Security"]

[Text] Correctly understanding and handling the relationship between economic development and public security will be of critical importance in helping us during the course of improvement, rectification, and deepening of reform; it will also help us to adopt relevant countermeasures and take specific steps, conscientiously preserve a high degree of sustained and reliable public order and thus, ensure the successful implementation of our economic and social development strategy.

Our historical and current experience both prove that it is going to be impossible for China to achieve the four modernizations or lift itself out of poverty and backwardness without a stable political order. This is precisely the significance of public security work. Comrade Jiang Zemin points out that "it will be impossible for our economic construction or economic and political reforms to succeed without social stability and unity." Only political, social, and psychological stability will enable people to better focus their efforts on building the economy and vigorously promoting successful economic development. On the other hand, good economic operations can also lay the material foundation for improving public security and reducing and preventing crime. In other words, stable economic development not only is the basis for resolving issues affecting the national economy and the people's livelihood, but also creates better conditions for improving public security.

Along with the shift of party and government work priority to building the economy since the Third Plenary Session of the 11th CPC Central Committee, China's economic might has greatly increased, the vast majority of our people have acquired enough food and clothing, and some areas have begun to advance toward becoming comparatively prosperous. While this economic development has laid a good social foundation for maintaining and developing a stable and united political order and safeguarding the reliability of public security, it provides only the material basis for, but certainly not a guarantee of, public security. Only by taking positive and active steps, putting unremitting emphasis on public security, and tackling the problem in a comprehensive way, can we consolidate and develop the best public

security order. In recent years, our party and government organs at all levels in Hegang have persisted in improvement, rectification, reform, opening up to the outside world, and building the economy on one hand, while emphasizing sound public security work on the other. We have earnestly enhanced our propaganda and inculcation about democracy and the legal system, conscientiously studied ways to resolve the various complex new conditions and issues that have arisen in our public security work, continuously summed up our experiences, gradually perfected remedies and countermeasures, carried out professional training on a large scale, improved the political and professional competence of our public security officers, cadres, and police, and enhanced their ability to fight crime. The recent proposal by the municipal party committee to "soundly develop the economy while conscientiously preserving a high degree of stability," has even more forcefully promoted a steady improvement of public security work in Hegang.

We realize that in order to synchronize economic development with public security work, we must solve the following theoretical and practical problems:

1. We must approach the important issue of controlling public order from the high plane of economic and social development strategy. Public order is an organic component of overall social development. In the current stage of improvement, rectification, and deepening of reform in particular, stability is the overriding factor. We must approach the important issue of public security from the high plane of this overriding strategy, take conscious steps to eliminate the purely economic viewpoint and metaphysical one-sidedness, and master public security work soundly and conscientiously by including it in our social development plans, so that it keeps pace with our economic development.
2. We must adhere to the guiding principle of "emphasizing reform and economic construction on one hand, and the legal system on the other," in order to correctly handle the class struggle that still exists to a certain extent. A key step in tackling public security in a comprehensive way, is to crack down persistently, legally, strictly, quickly, and severely on serious criminal offenses and economic crimes, in order to deter and demoralize criminals. As China is now in the initial stage of socialism, in which class struggle still exists to a certain extent, we should have a thorough understanding of this issue. Rectifying public security work is essential to protecting the basic interests of the masses. We must take full advantage of the state power capacity of our dictatorship of the proletariat, to severely crack down on and effectively punish all criminals who are hostile to and undermine socialism, and to maintain the flesh-and-blood ties of the party and state with the masses. Of course, we must organically combine public order with economic development in order to form an organic whole of mutual complementarity and harmonized development. As Comrade Deng Xiaoping has pointed out, "While it is necessary to crack down on criminals and we must continue to do so, cracking down alone will

certainly not resolve the basic issue, which can be truly resolved only by quadrupling the economy."

3. We must encourage prevention and control by the masses in order to strengthen the social forces that prevent and control crime. The masses are the main social force and the true masters of our country. In order to bring about a basic improvement in public security, public security work must be given more of a mass character and become more socialized. Because the current meaning of public security work is that it is a joint undertaking of the whole society, we must change the idea that exists in certain sectors and units that, "although society is run by millions of families, public security is the responsibility of only one department." We must fully arouse the initiative of the masses, rely on and organize the masses to take steps to tackle public security in a comprehensive way, implement the principle of "whoever is in charge is responsible" under the leadership of the party and government, and make the state responsible for general public security, and localities and units responsible for specific public security. This will form a lookout system of a mass character, which will bring about a steady improvement in public order with coordinated regulation and control through tackling of the problem in a comprehensive way and prevention and control by the masses, create a stable and united political order, and promote the steady and healthy development of China's socialism and four modernizations.

## NORTHWEST REGION

### Xinjiang Inaugurates Personnel, Labor Departments

OW2601122791 Urumqi Xinjiang Television Network in Mandarin 1545 GMT 24 Jan 91

[From the "Xinjiang News" program]

[Text] Approved by the Xinjiang Uygur autonomous regional people's government, the autonomous regional labor department and personnel department were formally inaugurated yesterday. At the same time, the former labor and personnel department and sci-tech cadre management bureau were abolished. The autonomous regional people's government called an inauguration meeting yesterday afternoon. Tomur Dawamat, chairman of the Xinjiang Uygur Autonomous Regional people's government, spoke at the meeting. He said that the establishment of the labor department and personnel department is a major event in the organizational reform of government departments in the autonomous region; it is also a major measure to deepen cadre, personnel, and labor system reforms and to promote economic development and social stability in the autonomous region. Personnel and labor work involve many areas, which have a direct bearing on the vital interests of cadres, workers, and intellectuals. In the future, the autonomous

region will further strive to reform the personnel structure of enterprises and institutions; strengthen management in organs and institutions in the areas of personnel staffing plans, wage plans, wage funds; and will gradually realize the goal of legalizing personnel management and make it more scientific. At the same time, we should closely center labor work on the task of readjusting the product mix, raising economic efficiency, and actively promoting the comprehensive and supplementary reforms of labor wages and the social insurance system.

Jin Yunhui, vice chairman of the autonomous regional people's government, presided over the meeting. (Xing Renyuan), the newly appointed secretary of the party organization at the personnel department; and (Wanlike Kiweier), head of the regional labor department, spoke at the meeting.

### Reinforcing Rural Grassroots Party Organizations

91CM0190A Urumqi XINJIANG RIBAO in Chinese  
12 Dec 90 p 1

[Editorial: "Realistically Reinforce Construction of Grassroots Party Organizations in Rural and Pastoral Areas"]

[Text] Grassroots party organizations are the cells of social organizations. They are the bridges and links between the party and government and the pastoral masses of all nationalities. Implementation of the party's line, direction, and policies, as well as the state's laws and decrees depends upon the grassroots organizations. Only after grassroots party organizations effectively act to attract and organize the vast rural and pastoral masses to rally behind party organizations, can we truly implement various rural tasks. The party committee of the autonomous region has decided that, starting this winter and continuing for two to three years, it will focus its energy entirely on building rural grassroots organizations. This fully implements the directive of General Secretary Jiang Zemin, who inspected Xinjiang, and also implements the circular concerning work in agricultural and rural areas in 1991 from the CPC Central Committee and the State Council. This circular contained important decisions about realizing stability and development in Xinjiang.

In general, the present condition of grassroots party organizations in the autonomous region is good. Construction of rural party organizations has been further strengthened, especially after the 15th full (enlarged) session of the third autonomous regional party committee. Most of the key leadership in many grassroots party organizations have done quite well, and the ideological and cultural fronts in rural areas have been strengthened. However, there are still some problems with weakness and slackness in grassroots party and government organizations. Key leaders in some party

organizations have not been fully utilized, and ideological and political work and spiritual and cultural construction has been diminished. We must guide the party committee to attach great importance to this.

Rural grassroots construction is multifaceted. It includes complete construction of township-level organizations, making the township party committee the core, and complete construction of village-level organizations, making the village party branch the core. In this construction, we must pay firm attention to the key points of constructing township-level organizations and village-level organizations. In this new period of history, if we want to educate, lead, unite, and organize the peasants, continuously raise agricultural productivity, deepen reforms in rural and pastoral areas, develop the rural economy, persistently follow the socialist road, and promote the overall progress of rural society, we must fully utilize the key leadership of township and village grassroots party organizations and strengthen the party's leadership of rural work. At the same time, we must focus on constructing rural grassroots organizations with political power, autonomous organizations, mass organizations, and economic organizations, so they can genuinely pool their forces together. This will basically ensure that various tasks in rural and pastoral areas will be done well.

The key to strengthening rural and pastoral grassroots organizations is building up a good leadership group. In particular, we must select good secretaries for the township party committees and the village branches. They must be cadres who are loyal to the party's cause, politically strong, and ideologically sound, who have a spirit of self-sacrifice, and who can work for the masses. Leading groups who are chosen and sent to grassroots party and government organizations must unite the masses and lead them forward. Village and town party committees should join their leadership together with that of political power organizations and mass organizations at the same level in order to fully utilize the Communist Youth League, the All-China Women's Federation, and other mass organizations. Cadres in rural areas are at the very grassroots level. They face tens of thousands of people directly, and their work is very arduous. We must care for and cherish them and help them to work well. Grassroots party organizations must be linked with the reality of Xinjiang, and carry out education of party members regarding the Marxist nationalist viewpoint and the party's nationalist policy. They must persistently adhere to the four cardinal principles, and oppose education on bourgeois liberalization and splittism. We must proceed with patriotism and socialism, unite with all nationalities, safeguard the unification of the motherland, defend our frontiers, and establish border area education. Through education, we help party members enhance their political awareness so they can consciously use Marxist standpoints, viewpoints, and methods to observe and deal with problems. Ideological construction is a long-term task. Party committees at higher levels must constantly talk to party

members in rural areas about situations, policies, and the party's rules and decrees, and help rural party members to adhere to socialism's convictions, strengthen overall concepts and the collective spirit, and resist all kinds of erroneous thinking and influence.

We must start to strengthen grassroots construction work in rural and pastoral areas in all of Xinjiang by focusing on village party organizations in a planned and gradual way. Working groups of the autonomous regional party committee have gone separately to some districts to do experimental work and to use this experience to conduct work in all areas. Party organizations at various levels in all Xinjiang must step up investigation and research, seriously organize forces and strengthen leadership, and do this job effectively.

#### **Rural Grassroots Party Construction Proceeding Well**

*91CM0190B Urumqi XINJIANG RIBAO in Chinese  
14 Dec 90 p 1*

[Article by Yan Fengli (2518 7364 0448), and Li Minrong (2621 7044 2827): "Construction of Grassroots Party Organizations in Xinjiang's Rural and Pastoral Areas Appears to Have Good Momentum"]

[Text] Presently, construction of grassroots party organizations in the vast rural and pastoral areas in the region appears to have good momentum. This has effectively promoted the stability and development of rural and pastoral areas.

**Penetrate and carry out investigations among rural and pastoral grassroots organizations—construction of grassroots party organizations has been strengthened.** At the beginning of this year, the autonomous region, various areas, production and construction corps, and divisional party organizations pooled their strength to investigate the conditions of grassroots party organizations under their administration. After the investigation, party organizations at various levels immediately summed up and disseminated the incorrect experiences and rectified some of the grassroots party organizations with more conspicuous problems. After the 15th full (enlarged) session of the third autonomous regional party committee, party committees at various levels drew a lesson from Baren village. They have attached great importance to the construction of township and village party organizations in rural and pastoral areas, and have obtained remarkable success. Since then, the regional party committee has convened a meeting on grassroots party organization construction, and earnestly implemented the spirit of the Central Committee meeting in Shandong regarding construction of grassroots organizations. They have adopted the overall assignment of this work. The work group of Yili prefecture's party committee dealt with the party organization in Yining County's Yuqunweng Hui Nationality Village; the Zhengshan County party committee dealt with the Tugugou County party committee and the Xincun party committee branch; the



work group of the corps' party committee dealt with the party branch of the third company, 131st regiment, seventh rural division. The experiments with party building in these areas all obtained good results. This has motivated the construction of local and corps' grassroots party organizations.

**Intensify party members' ideological education.** Party organizations at various levels must take active measures to intensify party members' ideological education and help the vast rural and pastoral party members to adhere to Communist convictions. The nine episodes of educational films for television (*Nine Problems a Communist Party Member Must Clearly Understand*) produced and organized by the regional party organization have been translated into Uygur and Kazak and distributed to various places as teaching materials for the party's ideological education. Turpan Prefecture's party committee has made a timely summation of the advanced experience of Putao Village, Turpan Municipality—the village made the problem of solving party members' religious faith one of the working goals of grassroots party organizations—and has disseminated it to rural areas in the whole region. Prefectures like Yili, Changji, Hami, and Kashi have fully utilized the roles of county and village party schools. They educate rural and pastoral party members and cadres with Communist convictions and atheism. Yezheng County's party committee organized more than 7,000 party members to launch activities around "recollecting three events" and "comparing them with the present" that elevated the ideological consciousness of party members. At present, the religious belief of rural and pastoral party members has been markedly reduced.

**Show concern and consideration for older party members in rural and pastoral areas and draw on them when constructing grassroots party organizations.** Since spring, areas like Hami, Aletai, Kashi, and Hetian have successively dispatched comfort teams to visit and comfort older party members in rural and pastoral areas, going village by village, household by household. Turpan Prefecture's party committee formulated "Turpan Region's Rules for Managing Older Party Members in Rural and Pastoral Areas" and established work committees for older party members at county and village levels. They have begun a system of old age pensions and compensation funds for older party members in rural and pastoral areas. Older rural and pastoral party members of all nationalities were deeply touched by the party's concern. Many said that they will redouble their efforts to work for the party in their lifetimes. Simayi Zunong, deputy secretary of the Pahataikeli Village party branch in Shufu County, wrote a letter to Chairman Mao in the early 1950's and received a reply. He said emotionally, "I am nearly 60 now, but I still want to follow the party and carry on my work." Because service work and organizational management has been strengthened, the role of older, rural and pastoral party members has been further utilized. Many outstanding older party members

have emerged. Some older party members have been honored as "older party members whose countenances never pale."

**The key position of leaders of grassroots party organizations has been consolidated and strengthened.** After cracking down on the counterrevolutionary armed rebellion in Baren county, party organizations at various levels adopted effective measures to consolidate and strengthen the key position of leaders of rural and pastoral grassroots party organizations and to reinforce the leadership of various work units. Various counties and municipalities in the Kashi region formulated responsibility systems for party construction work in which party committees were responsible for general branches and general branches were responsible for branches. A responsibility system was established level by level. Kuche, Akesu, Yingjisha, Shufu, Aketao, and other counties and municipalities launched extensive democratic activities appraising the activities of religious personnel. This has educated and consolidated the majority of patriotic religious people and struck at the arrogance of a few illegal, religious influences. At present, most counties and villages in Xinjiang have established religious affairs management committees (small groups) supervised by the party. The majority of rural and pastoral grassroots party organizations have initially turned round their past situation, in which office work was weak and leadership was slack. In Xinyuan, Turpan, Hami, and other counties, numerous advanced grassroots party organizations have emerged successfully.

**Strengthen the construction of two cultures in rural and pastoral areas, and gradually restore construction of ideological and cultural fronts in rural and pastoral areas.** In January of this year Yili Prefecture's party committee carried out an experiment in Yining county's Yuqunweng Hui Nationality Village; the experiment was to strengthen construction of socialism's ideological and cultural fronts in rural and pastoral areas, and disseminate the results of the experiment through the entire county. They have met with initial success. Kashi region concentrated its efforts on restoring and building "one loudspeaker for three households." Shache County has set up a cultural activities center (station) in every village, and every township has a cultural activities office. Ideological and cultural fronts in rural and pastoral areas have been further strengthened and consolidated, which has promoted political and social stability in these areas.

#### **Books Said To Twist, Fabricate Xinjiang's History**

OW0202191191 Urumqi Xinjiang Television Network  
in Mandarin 1655 GMT 1 Feb 91

[Announcer-read video report by station reporter (Yang Hongxing); from the "Xinjiang News" program]

[Text] [Video opens with a long shot of the rostrum of a meeting hall, then cuts to close-ups of several Xinjiang leaders sitting on the rostrum, and continues with medium shots of other officials, experts, and scholars seated in rows in the hall facing the rostrum; a scroll bearing Uyghur and Chinese characters and seen hanging above the rostrum reads: The Seminar on the Question of *The Uyghurs* and Two Other Books.] A seminar on the question of the three books, *The Uyghurs*, *A Brief History of Xiongnu*, and *The Literature of the State of Uyghur*, sponsored by the autonomous region party committee's Propaganda Department, the Press Publication Bureau, and the departments of the Academy of Social Sciences, was held in Urumqi this morning.

Wang Enmao, Song Hanliang, Tomur Dawamat, Janabil, Amudun Niyaz, Keyum Bawaudun, Feng Dazhen, and other leading comrades of the autonomous region; experts and scholars in the fields of history, ethnology, archaeology, and minority literature in our region; leading comrades and propaganda department heads in charge of ideological work in some prefectures and cities; and responsible comrades of the region's departments of propaganda, education, press, publication, culture, nationalities, religion, and political and ideological work attended the seminar.

The seminar was presided over by Feng Dazhen, member of the standing committee of the regional party committee and head of the propaganda department. Janabil, deputy secretary of the autonomous region party committee, delivered the opening speech. He pointed out that, from October 1986 to October 1989, *The Uyghurs* and two other books were published one after another. These three books twist and fabricate Xinjiang's history, spread the national splittist point of view, imperil the unification of the motherland and national unity, and, as a result, gravely affect and jeopardize society. These three books are the products of the international macroclimate of anti-China and anticommunist forces and China's own microclimate of rampant bourgeois liberalization which existed a few years ago. They are a conspicuous manifestation of dozens of years of struggle between splittism and antisplittism in the ideological sphere. This seminar will exhaustively analyze the question of the three books and their errors, and clarify some people's longstanding confused ideas about the question of Xinjiang's history so as to deepen education

in patriotism and in the Marxist concept of history and nation among the vast number of cadres and masses and to foster the idea of upholding the unification of the motherland and strengthening national unity.

### **Xinjiang Honors Children for Reporting Baren Rebels**

OW0602143791 Urumqi Xinjiang Television Network  
in Mandarin 1655 GMT 5 Feb 91

[Report by Yang Hongxin; from the "Xinjiang News" program]

[Text] Yesterday, this station's reporter interviewed Ai Sanjiang and seven other fine children who, using their wits and bravery, contributed to the struggle for quelling the rebellion in Baren Township.

On 6 and 7 April last year, eight children on patrol from the Apeji Makesen Primary School in Longhu Township, Yengisar County, came upon 11 rebels from the Baren Township rebellion. They immediately reported their discovery to the concerned department, an action which resulted in the arrest of the 11 criminals. They have been conferred with the titles of Little Patriotic Guards by the regional Communist Youth League committee, education commission, and school work committee.

When asked by the reporter what they were thinking after the counterrevolutionary rebellion in Baren Township, the children said: Protecting the unity of our motherland and maintaining stability and unity are the responsibility of the young pioneers. After the counterrevolutionary rebellion in Baren Township, we organized patrol squads. When we spotted the 11 suspected rebels, we immediately reported this to the concerned department and had all of them arrested. The party and government have given us a great honor. After our return home, we will work hard to complete our studies with better results and be good children for the party and the people.

The eight little patriotic guards and Sun Zhihong, a student at the Hami Railway Subbureau School, were invited to Urumqi to participate in the Spring Festival evening party organized by our station. The region's leading comrades, Keyum Bawudun and Halism Shilamu, presented certificates of honor to them.

### **Distinction Between Patriotism, Taiwan Independence**

91CM0192A Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 20 Dec 90 p 5

[Article by Jiang Dianming (5637 3013 6900), director of the Institute of Taiwan Studies at the Chinese Academy of Social Sciences and the secretary general of the Taiwan Research Society: "Contact Increases Mutual Understanding"]

[Text] Editor's Note: The seasons change, and as time passes, renewal comes. The first year of the 1990's is almost over. This year, relations between the two sides of the Taiwan Strait have advanced further, creating an irresistible impetus for the peaceful reunification of China. On the occasion of the beginning of a new year, this newspaper joined with the Xinhua News Agency's domestic bureau, the China News Agency, the overseas edition of the weekly LIAOWANG, and the Taiwan Department of the Central People's Broadcasting Station, inviting people in academia, education, science and technology, culture and the arts, sports, and industry and commerce, both at home and abroad, to take pen in hand or to meet with others to express candid views on such issues as the visitation of relatives, peaceful reunification, and exchanges between the two sides. This was done in order to bring more people into the business of communicating between and reunifying the two sides and contributing their plans and ideas. The resulting series of writings and talks on these subjects follows for the reader's benefit.

The year 1990 will soon pass, and the new year will soon arrive. From the point of view of relations between the two sides of the Taiwan Strait, the past year was certainly not an ordinary year. During the past year, the Institute of Taiwan Studies and the Taiwan Research Society had contacts and discussions with more than 70 organizations, groups, and individuals of all types from Taiwan. Among them were not only scholars and specialists from each university and research organization in Taiwan, but also individuals from each political party, and from the economic, cultural, and journalistic spheres as well. People from both sides of the strait openly exchanged views on relations between the two sides and on other issues of mutual concern. From our point of view, no small benefits were accrued. One colleague from the Institute of Taiwan Studies emotionally said that this kind of repeated exchange and contact would have been hard to imagine five years ago, let alone 10 years ago. This is perhaps a reflection of the changing times and of people's feelings about it.

When meeting after several decades of separation, even scholars had difficulty containing their excitement. After years of knowing each other only through their writings, when they met face to face, the two or three hours of prearranged meetings seemed to pass in the blink of an eye. Everyone still had much to talk about, and it seemed that each person agreed to seek opportunities to meet

again. As I recall, in these meetings with our guests from Taiwan, there were both mutual understandings and differences of opinion, even to the extent of verbal battles. However, the most pleasing thing in the end was that we were able to sit together and exchange our views directly.

If I may venture the following opinion, I feel that our greatest common understanding is that there is but one China and that it should be reunified as soon as possible. We all support the development of exchanges between the two sides, and exchanges of people and economic trade in particular. We feel that both sides have much to gain from trade. The Chinese people want to stand tall among the peoples of the world and make even greater contributions to humanity; this sacred mission demands that the two sides quickly dispel their enmity, settle their differences, increase the contacts and exchanges which have already started so well, and do their utmost to achieve a mutual understanding. As mainland scholars, we were most pleased to hear this kind of message from Taiwan scholars: their many investigations and tests have shown that those on Taiwan who truly support this "Taiwan independence" thing and advocate breaking away from the mother country are really a tiny minority. The scholars from Taiwan were most insistent on this point, and we believe them. The meaning we derive from this message is that when we research Taiwan-related issues, we certainly should examine the people who favor "Taiwan independence," but we must not put the genuine love of native Taiwanese for their homeland together with "Taiwan independence."

Love of one's homeland is a fine, traditional Chinese virtue; who among our compatriots in Taiwan, as well as in the rest of China, does not have a fierce love of his native home? Therefore, I believe that with the mutual understanding resulting from contacts and exchanges between the two sides, we will be able to better understand the questions of patriotism and reunification. During the coming process of trade and peaceful reunification, full consideration will be given to special conditions that have developed in Taiwan due to historical reasons.

Of course, studies on popular opinion conducted by scholars from Taiwan show that only a minority on the island support the "one country, two systems" approach to reunification. It appears that Taiwan authorities have their doubts just as the people do. This was a hot topic of debate during exchange sessions between scholars from Taiwan and the mainland. Mainland scholars listened earnestly and seriously considered Taiwan scholars' criticisms, and even reprimands, concerning "one country, two systems." As we see it, there is only one China, and it must be reunified; the majority of the people on both sides cannot be far from agreement on these points. The problem is simply how to go about the reunification. Should we reunify under socialism? The people on Taiwan certainly could not accept that. Reunify under capitalism? The vast majority of people on the mainland could not accept that either. The Communist Party and

Mr. Deng Xiaoping based their proposal for "one country, two systems" on this reality after thoroughly considering the situation. Thus, as one China, you may practise your capitalism, and I may practise my socialism; I will not gobble you up, and neither will you gobble me up. As soon as this idea was proposed, it met with opposition in Taiwan. It was as though "one country, two systems" was a trap or secret scheme to enable the larger to devour the smaller, and to dwarf Taiwan. Mainland colleagues who research Taiwan issues feel that, if the mainland truly wanted to engulf and absorb Taiwan, would it not be a bit stupid to use the "one country, two systems" proposal? As for dwarfing Taiwan, anyone with a little common sense knows that "China" is after all a concept, and the phenomenon of one part "dwarfing" the other simply does not exist. Therefore, I suggest that Taiwan authorities should

dispassionately consider the contents of the "one country, two systems" proposal: does it truly endanger the island? Could it be an obstacle to the island's prosperity and economic development? What alternate plan would be more acceptable to the vast majority of the Chinese people?

To reiterate, in 1990, exchanges between scholars on both sides of the Taiwan strait brought about both understandings and differences, yet they were very helpful in fostering mutual understanding. In the coming year, we eagerly look forward not only to Taiwan scholars coming to exchange more ideas, but also to mainland scholars being able to go to Taiwan. I believe that this type of exchange will have a significant effect on efforts to spur the reunification of the country.

**Editorial Comments on Premier Hao's Major Policies**

91CE0217B Taipei CHING-CHI JIH-PAO in Chinese  
12 Dec 90 p 2

[Editorial: "Premier Hao's Important Policy Statements"]

[Text] Premier Hao Po-tsun [6787 2672 2625] held his second press conference since assuming office yesterday. In one hour and 20 minutes, he answered 39 questions raised by reporters.

Premier Hao's forceful actions since taking office has earned his cabinet the name of a "forceful cabinet." In fact, the strong actions Premier Hao has taken in the six months or so since he took office to strengthen public order and increase government authority and credibility have indeed produced good results, and many public opinion polls during the period have expressed the people's approval and support for his personal leadership and his belief in order. Naturally if the government performs its work forcefully according to specific stands, principles, and policies it will achieve positive results. Unavoidably it will also draw negative reactions from some individuals, groups, and political parties who have different stands, principles, and interests. From an economic angle, the contradiction between these positive and negative reactions seem to become increasingly apparent. For example, on the question of the Liu Ching plant construction, it is difficult to mediate and achieve a compromise between Premier Hao's insistence that "the Liu Ching plant must be built" and the "anti-Liu-Ching movement." Under the circumstances, Premier Hao's answers to certain important questions and his policy statements at yesterday's press conference should be taken very seriously.

Summing up Premier Hao's answers to the reporters, we think that the following statements of his should be made known to all the people, especially the industrial and commercial circles.

First, taking the Liu Ching plant and the No 4 nuclear power station as examples, he stressed the intention and interest of the majority of the people, his stand on the national and overall interests, and his criterion in making policy decisions. He refused to consider the interests of a few people and localities in running the government.

Second, he thinks that from an economic viewpoint, to strengthen social order means to eliminate the non-economic factors which hinder investment, and that continued efforts should be made to reassure the investors.

Third, the basic spirit of income tax should be upheld by the people of all advanced countries, but military personnel and middle and primary school teachers, whose income needs to be improved but no significant increase is possible at present, should continue to be exempt from taxes for the near future.

Fourth, the conflict and contradiction between major economic construction projects and environmental protection is a universal phenomenon. If government policy is inconsistent with public opinion, the will of the great majority of the people and the opinion of experts should prevail. If the environmental protection plan is not below the standard of other countries in the world, major economic construction projects should be allowed, and should be accepted by everyone.

Fifth, the government has no specific policy encouraging trade with the mainland. At present, the government's stand on relations with the mainland is to keep them on the level of people-to-people contacts.

Sixth, the levying of income tax on trade in stocks did not work in the past, and the government will not make that same mistake again. The government will continue the policy of not getting involved and not interfering in the stock market, but will maintain strict surveillance and control against unsound and illegal investments.

Seventh, priorities in the six-year plan will be determined on a yearly basis, taking into consideration the nation's financial resources and digestive ability, and government bonds will be issued to raise funds. No final decision has been made on the total investments for the plan, and private investments are not included in the plan.

Eighth, measures to provide short-term loans to small- and medium-sized enterprises will be continued to help them overcome the year-end difficulties.

As Premier Hao only answered the questions put to him, and the questions raised by the reporters did not cover all aspects of the economy, the statements did not represent the government's financial and economic policies as a whole. Nevertheless, the above-mentioned eight points are enough to show the financial and economic direction the Hao cabinet is taking. Basically the Hao cabinet's financial and economic policies are characterized by a strong moral concept and sense of responsibility, which are indicated by Premier Hao's emphasis on the will and interest of the great majority of the people, the national and overall interest, or the well being of Taiwan's 20 million people. Therefore, under this policy direction, industrial and commercial investments and undertakings will be supported. Premier Hao's strong leadership in strengthening social order, developing the six-year national construction plan, and building the Liu Ching plant to preserve the industrial foundation and capital will certainly provide the business circles with better protection for investment than ever before, and Taiwan's investment climate will also be improved. This undoubtedly is the situation.

On the other hand, however, Premier Hao's strong moral concept and sense of responsibility also signify that the economic activities and pursuit for money as represented by the stormy stock market and rampant underground monetary transactions in the past will be checked and interfered with. Premier Hao said: Any system is

related to man, but if the system is sound, man's leadership will become more effective, and administrative failures caused by man can be reduced. We believe that Premier Hao's strong leadership, if supported by the industrial and commercial circles, will set off a new investment movement and create a new economic situation. This is the objective condition and investment climate the industrial and commercial circles should recognize, and appropriate plans for business operations and investment should also be made on this basis.

### Call for Reduction of Import Duties

91CE0243C Taipei CHING-CHI JIH-PAO in Chinese  
13 Dec 90 p 2

[Editorial: "Revised Import Duty Regulations Draft Evaluated"]

[Text] Last week, the Executive Yuan sent the revised draft of the 1990 import duty regulations to the Legislative Yuan for consideration and approval. These revised tariff regulations cover 1,965 items on which duties have been reduced by an average 7.95 percent. This includes import duties on 19 kinds of goods, including shoes, on which duty was not reduced but upped. Nevertheless, the average nominal duty is 8.92 percent for an estimated 17.9 billion yuan reduction in tariff receipts. Such a rapid and coordinated economic liberalization and internationalization is noteworthy.

During the early 1980's, Taiwan was still a high tariff country, i.e., it had many tariff barriers to trade that went beyond the economic protection of the country's industry. However, Taiwan's huge favorable balance of trade with America since 1984 has aroused dissatisfaction in the United States and caused various tensions in economic and trade relations between both parties. In addition, in view of world trends, Taiwan began efforts that same year liberalization and internationalization. Customs import duty regulations began to be adjusted downward. During the past seven years, tariff rates have been greatly lowered several times. For items such as household electrical appliances and automobiles, business firms and consumers alike have grown accustomed to the lowering of duties and prices each year. As a result, Taiwan's revenues from customs duties as a percentage of total revenues declined from 17.64 percent in 1984 to 13.2 percent in 1989. In 1990, import duty regulations were again revised in accordance with a set plan. As a result, duties on nearly 2,000 items fell. This not only helped import firms lower production costs and stabilize prices, but, even more, caused an increase in imported goods and a rise in consumption levels for an associated liberalization and internationalization. Nevertheless, there are still certain goods on which a revision of tariff rates should be considered. It should be noted, first of all, that the authorities concerned have announced coordinated policies that remove restraints for a liberalization of trade. Import duties on automobiles are to be lowered year by year. Furthermore, the Six-Year Automobile Industrial Development Plan also clearly sets such a

policy orientation. However, present revision of import duty regulations has been based on the conservation of energy. The duty on imported automobiles above 3,000 cubic centimeters next year will be kept at the prevailing 40 percent instead of following the policy of a 10 percent reduction in the duty on automobiles under 3,000 cubic centimeters. Such unpredictable changes in policy cannot help but erode public confidence. Those in the industry say that when vehicles that consume more energy are required to bear more of the costs at a time of petroleum crisis, no one squawks, but it is to be hoped that standards will have a scientific basis rather than using the cubic centimeters of the engine as a sole standard for making a determination. In addition, the fuel consumption of each make of car should also be taken into consideration in order to be fair. We hope that, in view of the set policy, the authorities concerned will reconsider lowering to 30 percent the import duty on automobiles above 3,000 cubic centimeters to free the hands of importing firms.

Second, the duties on agricultural products have been lowered for only a few items, such as fish and shrimp, starch, and cheeses. For an overwhelming majority of agricultural products, no lowering of import duties will occur until 1991 and 1992. It is feared that this will again arouse criticism from the United States about slow progress in lowering duty tariffs. Therefore, we expect that the choice of many agricultural products will have to be reconsidered. If they truly have a potential for development and cannot withstand competition from foreign imports, they should be accorded proper protection. Conversely, removal of restrictions on their importation should be moved up. In addition, within the period set for agricultural products protection, efforts should be made to mechanize agriculture, to make products finer, and to diversify sales. Duties should be lowered on all agricultural raw materials and goods to reduce the peasants' burdens. In addition, special attention should be given to not allowing importers to get a monopoly on profits from agricultural product imports. The peasants and consumers should share benefits in order to increase the peasant's earnings.

Finally, although the present revision of tariff regulations lowers import duties on machinery and equipment not produced in Taiwan. This applies to seven items, including textile machinery, but overall this seems to be insufficient. For example, the importation of machinery, instruments and equipment that is not manufactured in Taiwan for the development of new products and to increase productivity should be broadened for a comprehensive lowering of import duty rates. We have said many times that protection of domestic industries should have a basis. If protection goes beyond good economic sense, protection given without regard for costs and economic value, the whole national economy suffers. Therefore, we hope that all industries having potential will not rely on government protection, and that they will do all possible to find ways to improve their product quality to enter international markets. This is our economic future.

In addition, the presently contemplated lowering of tariffs on necessities and consumer goods covers more than 200 items. It is also an important element for promoting the liberalization and internationalization of trade. During the past 30 years, Taiwan's economy has developed rapidly; both the national income and the standard of living have risen day by day. The so-called luxury goods of the past have become necessities in the people's lives today. If high tariffs continue to be maintained today against all kinds of household furnishings and sanitary equipment, the people will have to pay a higher price to be able to enjoy them. This is a tactic that runs counter to economic development. In addition, the government should not and cannot make decisions for the people. What should be consumed, what should not be consumed, and allowing the people themselves greater opportunities to choose is also an ultimate goal in the pursuit of economic well-being and improving the quality of life. Therefore, we greatly approve the inclusion of dried mushrooms, cashews, and fresh strawberries, as well as furniture, and sanitary equipment among the important goods on which duties are to be lowered. We look forward to further expansion of these lowered import duty rates to enable the consuming public to enjoy cheaper imported goods.

In short, the time for high tariffs is past. We must face present international economic assaults and challenges, accelerating the adjustment of the import tariff rate structure. Even if revenues decline somewhat, we must not balk. This is the only way to accelerate economic liberalization and internationalization.

### **Currency Undervaluation To Expand Exports Opposed**

91CE0243A Taipei CHING-CHI JIH-PAO in Chinese  
18 Dec 90 p 2

[Editorial: "Cannot Rely on Currency Undervaluation To Expand Exports"]

[Text] Industry and business have been especially concerned during the last half of 1990 about the new Taiwan dollar rate of exchange and bank savings account interest rates. They have constantly expressed opinions, particularly about the new Taiwan dollar exchange rate. These opinions may be generally capsulized as being of two kinds. First is the hope that the central bank can supervise exchange markets, not permitting a great rise in value of the new Taiwan dollar. Second is the hope that the new Taiwan dollar can be moderately devalued in order to revive export growth.

Analysis of the frame of mind of industrialists and businessmen shows the reasons for these hopes not difficult to understand. It is because if there is no further rise in the new Taiwan dollar against the United States dollar, or if there is even a moderate devaluation, the competitiveness of our exports will rise, thereby enabling a revival of the former high export growth. It was indeed because of a substantial devaluation of the new Taiwan

dollar against currencies other than the United States dollar during October and November 1990 that our export growth rate rose. Thus, it is maintained that were the new Taiwan dollar to be moderately devalued further, that would certainly be even more advantageous in increasing exports.

These hopes of industry and business have a bearing on quite a few issues, first of which is whether the new Taiwan dollar is currently overvalued or undervalued. Second is whether the central bank should forcibly intervene in the market to prevent the new Taiwan dollar from rising further, or whether there should be a devaluation. Third, the foregoing questions aside, is the question of whether undervaluation of the currency should be relied upon as a means of attaining the goal of a further expansion of exports.

On 12 December, the Executive Yuan Economic Construction Committee said that there is an effective exchange rate coefficient for the real value of the new Taiwan dollar. If a value of 100 is assigned to 1980 as a base year, the coefficient declined to 91.28 in November 1990, a new low point since 1987. In November 1990, the average exchange rate of the new Taiwan dollar was 27.24 yuan per United States dollar for a 4.48 percent devaluation over the same period in 1989. In addition, according to central bank president Hsieh Sen-chung [6200 2773 0022], a written report presented on 14 December at a National Business Association seminar said that between 30 December 1989 and 30 November 1990, the new Taiwan dollar was devaluated 4.1 percent against the United States dollar, and 20.4 percent against the Japanese yen. The actual effective exchange rate also fell 6.95 percent. On the basis of the foregoing two reports, it appears that the new Taiwan dollar is not undervalued rather than overvalued. In other words, real pressure exists for a rise in the value of the new Taiwan dollar.

Since the new Taiwan dollar is currently undervalued and there are latent pressures for raising its value, should not the central bank forcibly intervene in foreign exchange markets to prevent a rise in its value? Or should not the central bank even cause another devaluation? We have to recognize with regard to this question that no matter how much the central bank denies it, it is actually interfering in exchange markets. If the central bank had not really interfered, the new Taiwan dollar would long ago have risen in value as a result of Taiwan's huge favorable balance of foreign trade, plus the steady inflow of capital from outside the country! This is not to mention that the country's foreign exchange reserves are more than \$73 billion. Under these circumstances, even though the United States government might scream, the new Taiwan dollar would also rise in value because of the market foreign exchange supply and demand situation. The reason for no major rise in value of the new Taiwan dollar is the central bank's moderate interference in foreign exchange markets. However, the central bank's actions cannot be openly admitted.



Unfortunately, not understanding the central bank's difficulties, industries and businesses keep pressuring the central bank out of their own interests. We are truly worried that the central bank might throw up its hands and do nothing. Then what would happen in the foreign exchange markets? On the other hand, if the central bank really allows the new Taiwan dollar to devalue against the United States dollar because of the desires of industry and business, should the United States re-exerts pressure, at what level will foreign exchange rates then be set?

At just what rate should the new Taiwan dollar exchange rate be pegged to be termed reasonable? We will not express an opinion for the time being, but we would like to emphasize one point. In view of the achievements made in the building of the country's economy and the favorable foreign trade balance of more than \$120 billion, as well as the set goals for promoting an escalation of the economy, no one should continue to maintain the frame of mind of reliance on undervaluation of the currency as a means of continuing to expand exports. If the economic development of the country were just beginning, if the country's foreign trade figure was slight and just beginning to show a favorable balance, and if the country's foreign exchange assets were still extremely short, we would not oppose undervaluation of the currency as a means of promoting exports. Were Taiwan to do this, we believe that its trade adversaries would not object too much. The problem is that Taiwan is already a developing industrial country; it has become a major world trading country; and the government's foreign exchange reserves are the largest in the world, not to mention that it has a huge favorable balance of foreign trade. Were we to continue to rely on undervaluation of the currency to stimulate exports, this would obviously be unfair to competing countries, and would certainly

arouse the dissatisfaction and resistance of other countries, or even lead to retaliation by the other parties.

This is not all. Undervaluation of the currency would certainly play a role in stimulating exports, but it would have a bad effect on other sectors within the country. First of all, if exporting industries had to use imported equipment and raw and processed materials, the undervaluation of the currency would be bound to increase their production costs. This would indirectly hurt exports. Currency undervaluation would be even more generally harmful to the consuming public, because not only would prices rise for imports that consumers need to buy, but the price level that undervaluation of the currency induces would tend to be high, causing more damage to the welfare of consumers. Sacrifice of other sectors as the price paid for benefiting the export sector is truly unfair.

Given the country's current achievements in building the economy, continued maintenance of an export-oriented economic structure will require raising the level of science and technology, improving productivity, and lowering costs in order to increase the competitiveness of export products. This is the road we must take in beginning to build an unassailable position in international markets, and it is also the best way to go. However, undervaluation of the currency is a policy that must not be adopted.

On the basis of the foregoing view, we believe that if the central bank still feels that modest intervention in foreign exchange markets is necessary, it should adopt an objective and impartial stand, allowing the new Taiwan dollar foreign exchange rate to be set at a reasonable price. It should not distort the operation of foreign exchange markets for the sake of exports.

### Prospects for 1991 Direct Elections

91CM0199A Hong Kong TA KUNG PAO in Chinese  
11 Dec 90 p 6

[Article by Li Ming-k'un (2621 2494 1024): "The 1991 Direct Elections—What Is Most Important?"]

[Text] Shortly, the curtain will go up on the contests in the 1991 direct elections. Concerning the spoils of the contest—18 directly elected seats in the Legislative Council [Legco]—the question is, who will be victorious? Although it is somewhat early to estimate election results, people cannot avoid asking questions like the following: With many political organizations preparing for battle, shining their armor, and giving people the impression that they are "political parties," is it possible that the results they achieve will be very different from their behavior during the elections? Could the results be the opposite of those expected?

In reality, political organizations in the current stage have not yet been able to establish a distinctive, clear-cut image in the minds of voters. An investigative report published in newspapers in October 1990 revealed that a great majority of those questioned did not clearly understand many of the major political organizations and their leading figures. The majority of Hong Kong people must spend a lot of time trying to differentiate between similar political organizations that use the name "democratic." However, although organizations with names that are essentially the same is a secondary reason for the existing problem, the major reason for the lack of clarity is that for the time being different political organizations are not issuing political programs that are very different. The Sino-British Joint Declaration and the Basic Law have already formulated a major framework for the lives of Hong Kong people over the next 50 or 60 years. Unless their goal is to break down this framework, political organizations and their positions and political programs cannot attract much interest from these people. No matter what label we give to these political organizations, in reality their differences are not very great. When it comes to the voters, what does it matter if there is a slight difference in names?

### Social Cleavages Do Not Exist

The differences between political organizations are not great, which reflects Hong Kong society, as currently there are no "social cleavages" causing serious splits among the people of Hong Kong. Antagonism and contradiction exists in various areas: for example, long-standing differences between "leftist factions" and "rightist factions"; contradictions between "industrial and business circles," which urge a more circumspect and cautious approach to reforming the political system, and the so-called "democratic factions," which demand that the pace for implementing direct elections be increased; conflicts of class interests between those who demand that welfare be handled at many points in society and that grassroots interests be considered at

many points, and those who demand that the government look to investors' interests; and contradictions between those stressing the "one country" aspect of "one country, two systems" and those stressing the "two systems" aspect, etc. Even though these antagonisms and contradictions exist, they are not superimposed on one another in a manner that would cause cleavages in Hong Kong society. They cut across each other vertically and horizontally. On one matter there may be differences of opinion between individuals or groups with opposing interests, while on another matter it is possible that they will shake hands and bury the hatchet, advancing or retreating together. Among the "democratic factions," there is no lack of those stressing the "one country" aspect of "one country, two systems"; in terms of support for the political system, there are many who are inclined to be conservative who also sympathize with grassroots interests. "Leftist" and "rightist" labor union leaders are willing to talk in order to defend workers' rights and interests and expand worker mobility. Perhaps all these examples illustrate that, in a pluralized society like Hong Kong, even if there are antagonisms and contradictions, at the same time there are various opportunities and factors which bring opposing sides together. As there are no incompatible social contradictions of major import, whether an average voter gives support to a certain political organization or even mistakes one organization for another is not so important.

It is to be expected that the political consciousness of the average city resident is weak. Out of the 2 million registered voters, 400,000 are first-time voters, and of the 1.6 million voters who registered for the 1989 elections, at most approximately 540,000 cast ballots in district assembly elections. In other words, out of 2 million registered voters, some 1.4 million people (70 percent) have not attempted to exercise their rights as citizens to cast ballots. Is it realistic to hope that voters who have no experience participating in elections will attentively read candidates' programs and judge the advantages and disadvantages of the different political organizations?

### Taking to the Streets to Demonstrate is Not the Same as Voting

Perhaps there are some who would ask, doesn't the fact that a million people took to the streets for several weeks illustrate the political consciousness of the people of Hong Kong? An analysis of this problem by the economist Albert O. Hirshman can dispel any doubts on this score. A million people do not necessarily take to the streets because they may be able to achieve a certain political goal, but because the process itself—braving the rain, facing the sun's heat, shouting until their throats are hoarse, walking until their legs feel like jelly, and singing songs with complete strangers—can quite easily give a person a feeling of satisfaction. People who have never been concerned with politics can take to the streets; is it possible that people who have never been concerned with or even loathe politics will begrudge even the 15 minutes it takes to go to a polling station and cast a

ballot? The answer to this would surprise people. It is precisely because people must expend great effort taking to the streets to demonstrate, while casting a ballot is easy and economizes on time, that it is exceedingly likely that those who take to the streets will not run down to the polling station and cast a ballot. Why is this the case? First, the act of taking to the streets in itself has a substantial impact on the individual, and in the process it makes the individual feel part of the crowd. Second, voting—one man, one vote—cannot incisively and vividly convey the individual's attitude and feelings toward public affairs, unless the individual is able to vote on many occasions and express his attitude towards each candidate. Third, casting ballots does not allow voters to experience their effect on public affairs, because one vote is truly insignificant when compared to the total number of votes that enables a candidate to emerge victorious. Fourth, if other voters support the same candidate, enabling him to win, even if a voter does not cast his own vote, he can still jump on the bandwagon. The psychology of waiting for others to make their opening moves, while one sits idly by and accumulates "public goods" starts to take hold. Fifth, of course Hong Kong voters know that, under the present system, the Legco members' power to influence public affairs and political policies is still limited. Naturally they can ask, "How are we to choose? What does it matter who wins or who loses?" By means of the above analysis, two conclusions may be drawn. First, the vast majority of those people who demonstrate will not appear at a polling station. Second, even if the organizations or individuals that led the demonstrations talk about participating in the elections, they will not necessarily be emulated by those who did not demonstrate, even if the latter are certain of obtaining ballots.

From the above analysis, we can conclude the following: Using the two major theories employed by Western political scholars to explain election conduct—the "political party recognition and approval model" and the "rational choice model"—is not very appropriate for forecasting and explaining the electoral behavior of Hong Kong voters. Since Hong Kong voters do not have significant, long-standing approval for or loyalty towards political organizations, they are not very clear about the stands or positions of these organizations. In this case, what viewpoint should we take and what factors should be used to forecast and explain the showings of political organizations in the 1991 elections? I would like to offer some opinions on this subject below.

Do political organizations matter in the 1991 direct elections? I believe that, even though political organizations matter in terms of the imagination, such factors as individual identity, the relationship between the individual and district society, and group support are even more important.

#### **Individual Identity is Most Important**

Of the three factors listed above, individual identity is perhaps the most important. Simply stated, the voter

"identifies with people, not with groups." What the voter is willing to put his trust and respect in are the competence and moral quality of the individual. And what does the voter rely on to make a judgement? Most relevant here will be confidence in an individual's qualifications and service record, as well as in his behavior. The results of a survey report by the Hong Kong Market Research Association published in October and entitled "The Qualities of Legislative Council Members" merit significant attention. The report revealed that the majority of those interviewed believe that Legco members must be honest, objective, and able to work for the interests of city residents. Nearly 80 percent of those questioned preferred skilled professionals, followed by scholars and industrial and business figures. The survey also revealed that so-called "star appeal" is not something that city residents consider to be most important. For this reason, it may be said that Hong Kong citizens like members who are "real rather than flashy." The results show that the candidate who shouts slogans the loudest but fails to make the average city resident believe in his qualifications and accomplishments certainly cannot convince the voter to support him.

In addition to individual identity, another factor which could have an important effect on next year's direct elections is how the individual relates to district society. These relationships are the cumulative result of years of management, where voters were willing to "show respect for" a candidate because he occupied an important position within district society. They are willing to vote for him because he benefitted them in the past and hence they are happy to reciprocate, or because they hope that he will benefit them in the future and they are willing to exchange their vote for that possibility.

In addition to individual identity and the individual's relation to district society, I think that the support of groups is extremely important. So-called groups are really also organizations (including labor unions, associations, industrial and commercial enterprise organizations, etc.), and even include enormous organizational systems which straddle different organizations. After these organizations or organizational systems approve a certain candidate, he may be recommended to members or employees through the network of personal relationships that exists within an organization. With regard to whether the recommended candidate will be accepted, in addition to looking at the independent judgement of organizational members or employees, it is necessary to look at the authority of the group or organization—whether members are happy to accept instructions from above, without dissenting in the slightest. It is also necessary to look at members' loyalty towards the group or organization—if members are willing to respect instructions from above whether they like them or not.

Of course, candidates contending for seats in the direct elections can use individual identity, the relationship between individuals and district society, and group support as much as possible. However, these three elements are not easily won, and everyone has a share in them.

Some candidates, although well known, lack connections with district society and the support of groups. Some candidates obtain groups' support, but lack a reputation and connections with district society. The key to winning the 1991 direct elections may lie with these three factors, or to put it another way, may be related to them.

#### **There Will Be No Great Changes Following Elections**

When the curtain officially rises on the 1991 direct elections, there will of course be various types of electioneering and publicizing activities. However, looking at the election experiences of some Western countries, unless there is a sudden change in the economic environment during this

period, or unless there are social or political events that suddenly grab people's attention, the situation after the elections will not see any major changes that exceed people's expectations. The situation in Hong Kong is a bit different from that in Western countries: Hong Kong has not yet had political organizations with stable, long-standing histories, and it is very possible that the behavior of political organizations and voters (particularly as political consciousness is very weak, and a large proportion of voters do not have the slightest experience with elections) will be quite capricious. Therefore, even if at present we believe very strongly in certain candidates and place no hope in others, the results could very well surprise people.

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